

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of **K. SENG SENG CORPORATION BERHAD** (“the Company”) recognises the importance of practicing and maintaining good corporate governance in managing and directing the board matters and business conduct throughout the Company and its subsidiaries (“the Group”) to ensure sustainable long-term growth and enhancement of shareholders’ value and financial performance.

The Board believes that good corporate governance practices are pivotal towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interests of other stakeholders. Hence, the Board is fully dedicated to continuously appraise the Group’s corporate governance practices and procedures to ensure that the principles and recommendations in corporate governance are applied and adhered to in the best interests of the stakeholders.

This statement sets out the manner in which the Group has applied the three (3) principles prescribed in the Malaysian Code on Corporate Governance issued on 26 April 2017 (“MCCG”) and the extent to which it has complied with the MCCG:-

Principle A: Board Leadership and Effectiveness;

Principle B: Effective Audit and Risk Management; and

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Corporate Governance Overview Statement should be read together with the Company’s Corporate Governance Report for the financial year ended 31 December 2018, which is available on Bursa Malaysia Securities Berhad’s website at <http://www.bursamalaysia.com>. The Corporate Governance Report has disclosed to what extent the Company has applied the Practices set out in the Malaysian Code on Corporate Governance.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1.0 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.

- 1.1 The Board takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance. The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realizing long-term shareholders’ values.

The Board has assumed the following principal responsibilities in discharging its fiduciary duties:

- (a) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group’s business;
- (b) Overseeing the conduct of the Group’s businesses and evaluating whether or not its businesses are being properly managed;
- (c) Identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- (d) Ensuring that all candidates appointed to Senior Management positions are of sufficient caliber, including the orderly succession of Senior Management personnel;
- (e) Reviewing the adequacy and integrity of the Group’s internal control and management information systems;
- (f) Carrying out periodic review of the Group’s financial performance and operating results and major capital commitments; and

CORPORATE GOVERNANCE OVERVIEW STATEMENT

continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

I. Board Responsibilities *continued*

1.0 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. *continued*

- (g) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Group.

To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:-

- (a) Audit and Risk Management Committee
- (b) Nomination Committee
- (c) Remuneration Committee

All committees have written terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company and the Group.

- 1.2 The Chairman/Group Managing Director leads the Board and is responsible for the effective performance of the Board. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.

The roles of the Chairman/Group Managing Director as well as terms of reference of the committees are spelt out in detail in the Board Charter which is made available for reference at the Company's website at www.kssc.com.my. The last review and update of Board Charter was on 1 April 2019.

- 1.3 The Board has delegated to the Chairman/Group Managing Director, the authority and responsibility for implementing of the Board policies, strategies and decisions adopted by the Board. The Chairman/Group Managing Director takes on primary responsibility to spearhead and manage the overall business activities of the various business divisions of the Group. The Chairman/Group Managing Director is assisted by Executive Directors, senior key management and head of each division in implementing and running the Group's day-to-day business operations.

The roles of the Chairman and Group Managing Director are held by the same Director.

The presence of the Independent Directors fulfills a pivotal role of corporate accountability. They provide unbiased and independent advice, alternative viewpoints, challenge perceptions and judgment as appropriate to take account of the interest of the Group, shareholders, employees and any party with whom the Group conducts business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

I. Board Responsibilities *continued*

1.0 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. *continued*

1.4 The Board is supported by qualified and competent name Company Secretaries who facilitate overall compliance with the Companies Act 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and other laws and regulations. The secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company Secretaries carry out the following tasks:

- (a) Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting, Extraordinary General Meeting and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;
- (b) Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia Securities Berhad on a timely basis;
- (c) Ensure that deliberations at the meetings are well captured and minuted;
- (d) Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;
- (e) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
- (f) Remind the Directors and principal officers of the closed period and no trading in the Company's shares;
- (g) Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents;
- (h) Assist the Chairman to organize and co-ordinate in all the Board Committee, Board and General meetings;
- (i) Attend all the Board Committee, Board and General meetings;
- (j) To upkeep and update the statutory records;
- (k) To liaise with internal and external auditors to furnish them with the statutory records for audit purposes; and
- (l) As the adviser to the Board and compliance officer of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

I. Board Responsibilities *continued*

1.0 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. *continued*

1.5 The Board meets on a quarterly basis, with additional meetings convened as and when necessary.

All Directors are notified with the notice of Board Meetings at least 7 days in advance. The agenda and a set of board papers were issued at least 3 days from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary, to expedite the decision-making process effectively.

During the financial year ended 31 December 2018, five (5) Board Meetings were held. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

The Board recognizes that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

The Executive Directors and/or other relevant Board members will furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making. In addition, the Board members are updated on the Company's activities and its operations on a regular basis.

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team.

All proceedings at the Board meetings are properly recorded in the minutes of meetings by the Company Secretary, circulated in a timely manner and duly signed by the Chairman of the meetings.

The Board also resolved and approved the Company's matters through circular resolutions during the financial year.

Every Director has also unhindered access to the advice and services of the Company Secretaries as and when required to enable them to discharge their duties effectively.

There is a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity to take independent professional advice at the Group's expense, where necessary in furtherance of their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

I. Board Responsibilities *continued*

2.0 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.

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual directors and managements; and issues and decisions reserved for the Board.

The Board will periodically review the Board Charter and make any changes whenever necessary. The Board Charter is published on the Company's corporate website at www.kssc.com.my. The Board Charter was last reviewed on 1 April 2019.

3.0 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.

3.1 The Board has formalised a Code of Ethics and Conduct that set out the basic principles to guide all the directors, employees and its subsidiary and associate companies. The Board shall observe and adhere to the Company's Code of Ethics and Conduct for Directors which provide guidance regarding ethical and behavioral considerations or actions in discharging their duties and responsibilities.

The Board will periodically review the Code of Ethics and Conduct to ensure it remains relevant and appropriate. The details of the Code of Ethics and Conduct are available for reference at the Company's website at www.kssc.com.my. The Code of Ethics and Conduct was last reviewed on 1 April 2019.

3.2 The Board has put in place an avenue for employees and stakeholders to report genuine concerns about unethical behavior, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. All cases shall be independently investigated and appropriate actions taken where required.

The details of the whistle-blowing policy are available for reference at the Company's website at www.kssc.com.my. The whistle-blowing policy was last reviewed on 1 April 2019.

3.3 The Board shall endeavour to implement sustainability strategies which yield environmental, economic and social benefits to all its various stakeholder and the communities in which it operate to ensure long-term viability and sustainability of the Company's business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II. Board Composition

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

- 4.1 The Board consists of six (6) members; comprising one (1) Chairman/Group Managing Director, one (1) Deputy Managing Director, one (1) Executive Director, one (1) Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

At least half of the board comprises of the Independent Directors which is in compliance with the MCCG 2017.

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. Currently, the Board is led by the Chairman/Group Managing Director, Koh Seng Kar @ Koh Hai Sew and two (2) Executive Directors. The three (3) Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls and provide unbiased and independent views to safeguard the interest of the shareholders. Together with the Executive Directors who has in-depth knowledge of the business, the Board constitutes of individuals who are committed to business coupled with integrity and professionalism in all its activities.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

- 4.2 The Board noted the MCCG 2017 recommends that the tenure of an independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such Director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director. For resolution(s) requiring 'two-tier voting' process, the effective date will be for resolution(s) to be tabled at general meetings after 1 January 2018.

Presently, Lim Ho Kin, Yap Siok Teng and Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff as Independent Non-Executive Directors of the Company whose tenure have exceeded a cumulative term of nine (9) years.

Lim Ho Kin, Yap Siok Teng and Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, who have served on the Board as Independent Non-Executive Directors of the Company to be retained as Independent Non-Executive Director of the Company was deliberated at the Nomination Committee Meeting held on 26 February 2019. The Nomination Committee members were satisfied that Lim Ho Kin, Yap Siok Teng and Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff maintain their independency despite their long service extended to the Company and recommended to the Board to seek for shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II. Board Composition *continued*

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

The Board believes that although Lim Ho Kin, Yap Siok Teng and Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, have served more than nine (9) years on the Board, they remain unbiased, objective and independent in expressing his opinions and in participating in decision making of the Board. The length of his service on the Board has not in any way interfered with his objective and independent judgement in carrying out his role as member of the Board and Committees. Accordingly, the Board is making a recommendation to shareholders for approval at the forthcoming Thirty-Fourth Annual General Meeting of the Company that Lim Ho Kin, Yap Siok Teng and Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff remain as Independent Non-Executive Directors.

- 4.3 The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the independent directors are capable to exercise independent judgment and act in the best interests of the Group. The Independent Directors of the Company fulfill the criteria of "Independence". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making. Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters. The Board, via Nomination Committee and guided by the Corporate Governance Guide—Towards Boardroom Excellence has developed the criteria to assess independence and formalised the current independence assessment practice. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments by all Directors were summarised and discussed at the Nomination Committee meeting which were then reported to the Board at the Board Meeting held thereafter. Each independent director abstained from deliberation on his own assessment. The Nomination Committee was satisfied that the Independent Directors still maintain their independence.

- 4.4 The Board appoints its members through a formal and transparent selection process, which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee ("NC"). The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II. Board Composition *continued*

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

The appointment process of a new Director is summarized as follows:

- (i) The candidate identified upon the recommendations from the Directors and Management or their contacts in related industries, finance accounting or legal professions and/or major shareholders;
- (ii) In evaluating the suitability of candidates to the Board, the Nomination Committee considers, inter-alia, the required mix of skills, expertise, experience, time commitment and contribution of the candidates can bring to the Board. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independency will be considered;
- (iii) Recommendation to be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and
- (iv) Decision to be made by the Board on the proposed new appointment including appointment to the various Board committees.

- 4.5 The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCG 2017 to the establishment of boardroom and workforce gender diversity policy. The Board currently has one (1) female Director and two (2) females key senior management which the Board is of the view, is in line with the gender diversity recommended by MCG 2017.

The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.

The Group gives an equal opportunity to all its employees and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

- 4.6 The Constitution of the Company provides that all Directors of the Company are subject to retirement. At least one third (1/3) of the Directors for the time being, or the number nearest from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates. Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election.

The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of Annual General Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II. Board Composition *continued*

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

The Nomination Committee is also responsible for recommending to the Board those Directors who are eligible to stand for re-election/re-appointment based on the reviews of their performance and their contribution to the Board through their skills, experience, qualities and ability to act in the best interests of the Company in decision making.

The Nomination Committee assessed and was satisfied and made recommendations to the Board for re-election/re-appointments with regards to the following:

- (i) The re-election of the director, Tsen Ket Shung @ Kon Shung, who is due to retirement but shall be eligible for re-election pursuant to Article 83 of the Company's Constitution at the forthcoming AGM;
- (ii) The re-election of the director, Lim Ho Kin, who is due to retirement but shall be eligible for re-election pursuant to Article 83 of the Company's Constitution at the forthcoming AGM;
- (iii) Re-election of Lim Ho Kin, whose tenure of service as senior independent non-executive Director has exceeded a cumulative term of nine (9) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging his role and functions as an independent Director;
- (iv) Re-election of Yap Siok Teng, whose tenure of service as an independent non-executive Director has exceeded a cumulative term of nine (9) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging her role and functions as an independent Director; and
- (v) Re-election of Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, whose tenure of service as an independent non-executive Director has exceeded a cumulative term of nine (9) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging his role and functions as an independent Director.

The profiles of these Directors are set out on pages 16 to 19 of the Annual Report.

There are no changes to the composition of the Board during the financial year under review.

- 4.7 All directors of the Company do not hold more than five directorships under paragraph 15.06 of the Main Market Listing Requirements.

The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major investments, appointment of Directors are discussed and decided by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II. Board Composition *continued*

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

The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with Article 128 of the Constitution of the Company, a signed and approved resolution by a majority of the Directors present in Malaysia and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

During the financial year ended 31 December 2018, the Board held five (5) meetings and the details of each Director's attendance are set out below :

Name of Directors	Meetings attended
KOH SENG KAR @ KOH HAI SEW (Chairman/Managing Director)	5/5
KOH SENG LEE (Deputy Managing Director)	5/5
TSEN KET SHUNG @ KON SHUNG (Executive Director)	5/5
LIM HO KIN (Senior Independent Non-Executive Director)	5/5
YAP SIOK TENG (Independent Non-Executive Director)	5/5
TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF (Independent Non-Executive Director)	5/5

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II. Board Composition *continued*

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

4.8 All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast of various issues facing the changing business environment within which the Group operates. Directors are also encouraged to evaluate their own training needs on a continuous basis and recommend to the Board for the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board by actively participate in Board deliberation and effectively discharge their duties.

During the financial year under review, the Directors had participated in the following training programmes:-

Name of Directors	Date	Training attended
KOH SENG KAR @ KOH HAI SEW	10 January 2018	Sustainability Reporting
KOH SENG LEE	10 January 2018	Sustainability Reporting
TSEN KET SHUNG @ KON SHUNG	10 January 2018 4 and 5 December 2018	Sustainability Reporting Budget 2019 Malaysia : Income Tax. RPGT, SST Latest Updates and Tax Planning
LIM HO KIN	10 January 2018	Sustainability Reporting
TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF	10 January 2018	Sustainability Reporting
YAP SIOK TENG	10 January 2018 23 & 24 July 2018 27 July 2018 31 October 2018 14 & 15 November 2018 21 November 2018	Sustainability Reporting Malaysian Corporate Tax Practices & Principle - Part 1 Sales & Services Tax 2018: Understanding the Mechanism and the Impact on Business Practical Issues, Problems and Pitfalls in Registering A Limited Liability Partnership Persidangan Cukai Kebangsaan 2018 The 2019 Budget Seminar

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

The Company conducts an annual assessment to evaluate the effectiveness of the board and the Board Committees as well as the performance of each individual Director through the Nomination Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II. Board Composition *continued*

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

The Nomination Committee (“NC”) of the Company comprises exclusively Independent Non-Executive Directors and its composition are as follows:

- Mr. Lim Ho Kin (Chairman, Senior Independent Non-Executive Director)
- Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff (Member, Independent Non-Executive Director)
- Mdm. Yap Siok Teng (Member, Independent Non-Executive Director)

The NC held one (1) meeting during the financial year ended 31 December 2018. The details of the terms of reference of NC are available for reference at the Company’s website at www.kssc.com.my.

The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluations are guided by the Corporate Governance Guide—Towards Boardroom Excellence. The Audit and Risk Management Committee and the Remuneration Committee each carried out its evaluation with the view to maximize the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments were summarised and discussed at the NC meeting which were then reported to the Board at the Board Meeting held thereafter. The NC evaluated all the above Assessment Forms at the NC Meeting held on 26 February 2019 and was satisfied with the performance of the Board and Board Committees as well as the performance of individual Directors.

During the financial year under review, the NC carried out the following assessments and satisfied with the results of the assessments:

- (i) reviewed and assessed the structure, size, required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole and the Board Committees;
- (ii) reviewed and assessed the contribution of each individual Director based on criteria, responsibilities, strength, time commitment and ability to act in the best interests of the Company in decision making;
- (iii) reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Constitution of the Company;
- (iv) reviewed and recommended to the Board for re-appointment of Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and to seek shareholders’ approval at the forthcoming Annual General Meeting;
- (v) reviewed the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and its members have carried out their duties in accordance with their terms of reference;
- (vi) assessed the independence of each of the existing Independent Directors with each Director abstaining from deliberation on his own assessment; and
- (vii) review the Terms of Reference of NC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

III. Remuneration

6.0 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. The remuneration policies and decisions are made through a transparent and independent process.

6.1 The Remuneration Committee ("RC") of the Company comprises all Independent Non-Executive Directors and its composition is as follows:

- Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff (Chairman, Independent Non-Executive Director)
- Mdm. Yap Siok Teng (Member, Independent Non-Executive Director)
- Mr. Lim Ho Kin (Member, Senior Independent Non-Executive Director)

The RC held one (1) meeting during the financial year to carry out its function as stated within the terms of reference. The details of the terms of reference of RC are available for reference at the Company's website at www.kssc.com.my.

6.2 The primary function of the RC is to set up and review the policy of remuneration framework and recommend to the Board the remuneration packages of all the Directors according to the skills, level of responsibilities, experience and performance of the Directors.

The remuneration of Directors is to determine at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The RC reviews the Board remuneration policy and terms of conditions of service of each Director annually taking into consideration market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group.

The Remuneration Committee is also responsible to review the remuneration packages of the Executive Directors and senior management of the Company and thereafter recommend to the Board for their consideration. Non-Executive Directors are paid by way of fixed monthly fees and a meeting allowance for each meeting attended. Individual Director is not allowed to participate in discussion of his/her own remuneration.

The Board will then recommend the Directors' fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

III. Remuneration *continued*

7.0 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.

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and subsidiaries respectively in financial year ended 31 December 2018 are as follows:

7.1 Aggregate remuneration of Directors categorised into appropriate components are as follows:

	Salaries & Bonuses (RM)	Fees (RM)	Other emoluments* (RM)	Benefits-in-kind (RM)
Company				
Executive Directors	1,972,850	-	249,683	51,150
Non-Executive Directors	-	163,200	10,500	-
Total :	1,972,850	163,200	260,183	51,150
Group				
Executive Directors	1,972,850	-	249,683	51,150
Non-Executive Directors	-	163,200	10,500	-
Total :	1,972,850	163,200	260,183	51,150

* Other emoluments consist of monthly salary, bonuses and contribution in SOCSO.

7.2 Directors' remunerations are broadly categorised into the following bands:

Range of remuneration	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	-	-	-	-
RM50,001 to RM100,000	1	3	1	3
RM450,001 to RM500,000	-	-	-	-
RM750,001 to RM800,000	-	-	-	-
RM800,001 to RM850,000	2	-	2	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT

continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

III. Remuneration *continued*

7.0 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.
continued

7.3 Aggregate remuneration of Key Senior Management categorised into appropriate components are as follows:

Range of Remuneration	Company Number of Senior Management		Group Number of Senior Management	
	Executive	Non-Executive	Executive	Non-Executive
RM150,001 to RM200,000	1	-	1	-
RM200,001 to RM250,000	1	-	1	-
RM250,001 to RM300,000	2	-	2	-
RM300,001 to RM350,000	1	-	1	-

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information.

8.1 The Audit Committee was renamed as the Audit & Risk Management Committee with effect from 21 November 2017.

Mdm. Yap Siok Teng, an Independent Non-Executive Director is the Chairman of the ARMC whilst the Chairman of the Board is Mr Koh Seng Kar @ Koh Hai Sew.

The composition of ARMC are as follows:

1. Mdm. Yap Siok Teng (Independent Non-Executive Director) – *Chairman*
2. Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff (Independent Non-Executive Director) - *Member*
3. Mr. Lim Ho Kin (Senior Independent Non-Executive Director) - *Member*

The details of the terms of reference of the ARMC are available for reference at the Company's website at www.kssc.com.my.

Details of the activities carried out by the Audit and Risk Management Committee in 2018 are set out in the Audit and Risk Management Committee Report in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

I. Audit and Risk Management Committee *continued*

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. *continued*

8.2 The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the Audit and Risk Management Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

8.3 The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act 2016 and the Listing Requirements of the Bursa Securities have been applied.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates where applicable.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this Annual Report.

8.4 An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the Listing Requirements. The Board through its Audit and Risk Management Committee, reviews and reports to the Board any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and any general meeting convened to consider such matters.

Further details of these transactions are set out in the Recurrent Related Party Transactions Circular to Shareholders dated 30 April 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

I. Audit and Risk Management Committee *continued*

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. *continued*

8.5 The Audit and Risk Management Committee assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.

The External Auditors, in supporting their independence, will provide the Audit and Risk Management Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors have provided such declaration in their annual audit plan presented to the Audit and Risk Management Committee of the Company during the financial year.

The external auditors of the Company fulfill an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Company and the Group.

The external auditors have an obligation to bring to the attention of the Board of Directors, the Audit and Risk Management Committee and Company management any significant defects in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The external auditors of the Company are invited to attend at least two (2) meetings with the Audit and Risk Management Committee a year to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the Audit and Risk Management Committee will also have private sessions with the external auditors without the presence of the management to enable exchange of views on issues requiring attention.

During the financial year, the amount of audit fee and non-audit fee paid and payable to the External Auditors of the Company during the financial year ended 31 December 2018 were as follows:-

	Group (RM'000)	Company (RM'000)
Audit Fees	166	63
Non-audit Fees	5	5
Total	171	68

The non-audit fees were paid to External Auditors for the review of statement on risk management and internal control.

In considering the nature and scope of non-audit fees, the Audit and Risk Management Committee was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

I. Audit and Risk Management Committee *continued*

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. *continued*

The Audit and Risk Management Committee and the Board are satisfied with the performance, competence and independence of the external auditors and the Board had recommended their re-appointment to the shareholders' approval at the forthcoming Annual General Meeting.

The key features underlying the relationship of the Audit and Risk Management Committee with external auditors are included in the Audit Committee's terms of reference as detailed in Audit and Risk Management Committee section of this Annual Report.

II. Risk Management and Internal Control Framework

9.0 Company makes 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.

9.1 The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

9.2 The Audit and Risk Management Committee is headed by the Group Managing Director, assisted by Independent Directors and members of key management team of the respective division. The primary responsibility and purpose of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The Audit and Risk Management Committee reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group's Business Unit.

The key features of the Audit and Risk Management Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on page 49 to 51 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

II. Risk Management and Internal Control Framework *continued*

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

The internal audit function is outsourced to a professional firm who reports directly to the Audit and Risk Management Committee.

The Statement on Risk Management and Internal Control furnished on page 49 to 51 of the Annual Report provides an overview on the state of internal controls within the Group, in an effort to manage risk.

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures of material information relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board has formalized pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

The release of material information will be made publicly via Bursa Malaysia Securities Berhad. Members of the public can also obtain the full financial results and the Company's announcements from the Bursa Malaysia Securities Berhad's website.

The Company's website at www.kssc.com.my is regularly updated and provides relevant information on the Company which is accessible to the public to make informed investment decision.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

11.0 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.

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognizes the importance of timely dissemination of information to shareholders.

In addition to shareholders participation at general meetings, the Board also encourages other channel of communication with shareholders.

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving its shareholders as clear and complete information of the Company's financial performance, major developments and position as possible. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results and corporate website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

continued

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *continued*

II. Conduct of General Meetings

12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings.

12.1 The Annual General Meeting is the principal forum for dialogue and interaction with shareholders.

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both the individual and institutional investors on all aspects relevant to the Company at the Annual General Meeting. It is also a requirement for the Company to send the Notice of the Annual General Meeting and related circular to its shareholders at least twenty one (21) days before the meeting. At the Annual General Meeting, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general to seek more information. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the Annual General Meeting.

12.2 All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board make announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2018, the Company has applied the principles and recommendations of the corporate governance set out in MCGG 2017, where necessary and appropriate.

This Statement is made at the Board of Directors' Meeting held on 1 April 2019.