

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0193
COMPANY NAME : KEJURUTERAAN ASASTERA BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board is responsible for strategic planning, oversight and overall management of the Company. To ensure the Board members are aware of their duties and responsibilities, the Board had established a governance model via the Board Charter which sets out the roles, composition and responsibilities of the Board and Board Committees. The Board has also delegated some specific power to various Board Committees on specific matter which operate within their respective approved Terms of Reference.</p> <p>The key responsibilities of the Board are as follows:</p> <ul style="list-style-type: none">• The Board provides direction and has in place a strategy planning process, whereby the management would present its recommended strategy and business plans to the Board for review and approval before implementation.• The Board oversee the conduct of the Company's business. The Management's performance is monitored and assessed by the Board through management reports which include a summary of business operations and financial performance tabled to the Board periodically. The Board is also kept informed of key strategic initiatives and operational issues within the Company.• The Board, assisted by the Audit Committee, Risk Management Committee and Internal Auditor, would oversee the Enterprise-wide Risk Management ("ERM") of the Company. A Risk Management and Internal Control Framework for the Company is being prepared in FY2018. This framework will encompass the Board & Senior Management's oversight in risk management of the Company; and to ensure Company's business objectives are supported by a sound strategy that is directed by a clear risk appetite statement to be approved by the Board.

	<ul style="list-style-type: none"> • The Board, assisted by the Nominating Committee, ensures that an appropriate framework and plan for succession within the Company are in place. The Board also entrusted the Managing Director with the responsibility to review candidates, compensation packages and oversees development for key management positions. • The Board promote sustainability through appropriate environmental, social and governance considerations in the Company’s business strategies. They also ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability. • The Board endeavours to ensure that pertinent information such as annual report, quarterly reports and any announcements are released on a timely basis via electronic facilities, press releases and corporate website. Primary contacts for Investor Relations are disclosed in Annual Report and website. • The Board is ultimately responsible for the adequacy and integrity of the Company’s internal control system. The Board ensures that there is a sound framework of reporting on internal controls and regulatory compliance. The internal audit function has been outsourced to an independent service provider and the Audit Committee regularly reviews and scrutinises the audit reports. • The Chairman ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis. • The Managing Director & Executive Directors formulate strategic vision and business directions for the Company. • “Corporate Mission, Vision and Our Core Values” are adopted across the Company to promote and implement good corporate culture within the Company which reinforces ethical, prudent and professional behaviour. • To ensure the senior management has the necessary skills and experience, the Nominating Committee, in assisting the Board, will carry out an annual assessment on fit and proper of the Key Responsible Persons as per internal policy. • Management’s proposals which required Board’s approval would be tabled at Board meetings for discussion & adoption prior to implementation. Relevant reports would be updated at Board meetings for notation. • The quarterly financial reports are always tabled to the Board within 6 weeks from the end of every quarter. The Audit Committee and Board would seek clarification on quarterly report during the Audit Committee and Board Meetings. • The Risk Management Committee, which had been established to assist the Board, will review and submit periodic reports on the risks positions of the Company to the Board. • Annual Report is the key channel of communication with stakeholders. Another important avenue for communication and dialogue is Annual General Meeting of the Company. Primary
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	contacts for Investor Relations are disclosed in Annual Report and website.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman, Encik Ferdaus Bin Mahmood in leading the Board in its collective oversight of management, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman with the assistance of the Managing Director and Executive Directors:-</p> <ul style="list-style-type: none">• Manages the interface between Board and management and provides support and guidance to Senior Management Officers to help facilitate management succession planning.• Grooms and mentors Senior Management Officers to achieve consistently high levels of professionalism and excellent performance.• Provides leadership to the Board and is responsible for the developmental needs of the Board.• Ensures that appropriate procedures are in place to govern the Board's operation.• Leads the Board in establishing and monitoring good corporate governance practices in the Company.• Ensures a smooth functioning of the Board and the governance structure, and inculcating positive culture in the Board.• Ensures that procedures and processes are in place to facilitate effective conduct of business by the Board.• Chairs Board meetings and encourages active participation and healthy discussion to ensure that dissenting views can be freely expressed and discussed.• Ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.• Chairs General meetings of the Company and provides clarification on issues that may be raised by the shareholders.• Ensures that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.
Explanation for departure	:	

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

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The position of Chairman is held by Encik Ferdaus Bin Mahmood, an Independent Non-Executive Director, while the position of CEO is held by Dato' Lai Keng Onn, the Managing Director.</p> <p>The role and responsibilities of the Chairman are distinct and separate from the duties and responsibilities of the Managing Director/CEO as governed in the Company's Board Charter. The role of Chairman and Managing Director are clearly defined in the Corporate Governance Overview Statement.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company appointed 2 qualified Company Secretaries, namely Ms Joanne Toh Joo Ann and Ms Sia Ee Chin, who are responsible for advising the Board on regulatory requirements and corporate governance matters to ensure that the Board discharge their duties and responsibilities effectively.</p> <p>Ms Joanne Toh Joo Ann is a Licensed Secretary by the Companies Commission of Malaysia and Ms Sia Ee Chin is an Associate (ICSA) and Member of the Malaysian Institute of Chartered Secretaries And Administrators. Below is a summary of the relevant activities in FY2017 carried out by the Company Secretaries of the Company:</p> <ul style="list-style-type: none">(a) Advised the Directors on their roles and responsibilities and provided regular updates on new statutory and regulatory requirements relating to the discharge of the Directors' duties and responsibilities;(b) Ensured that the Board and the Board Committees function effectively.(c) Monitored the developments in corporate governance and facilitated the Board's application of the best practices of Malaysian Code on Corporate Governance ("MCCG");(d) Attended all Board and Board Committees meetings and facilitated board communications;(e) Ensured that the deliberations and decisions made by the Board and Board Committees are accurately minuted, and the records of the proceedings of the Board and Board Committees meetings are properly kept;(f) Recorded the Directors' interests disclosures and advised the interested Directors the requirements on restrictions in voting or deliberation on related matters during the meetings;(g) Facilitated and attended Engagement with the Regulators; and(h) Managed processes of the annual shareholder meetings. <p>During the FY2017, the Company secretaries undertaken continuous professional development by attending the following trainings:</p> <ul style="list-style-type: none">• Anatomy of Company under the New Regime of Companies Act,

	2016 <ul style="list-style-type: none"> • Managing the Registered Office, Statutory Books, Returns and Other Documents under Companies Act, 2016 • Key Offences under Companies Act, 2016 and Role and Responsibilities of Directors and Auditors and Company Secretaries under Companies Act 2016 • Bursa Technical Briefing for Company Secretaries of Listed Issuers – Enhancing Standard of Disclosures in Announcements & Circulars to 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

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees Meeting and also the Annual General Meeting.</p> <p>The meeting agenda was set by the Chairman, assisted by the Company Secretaries and management. The Notices of meetings are sent to the Directors via email at least seven days prior to a meeting. Directors are provided with sufficient information and material for Board discussions and meeting materials are circulated at least five days in advance of Board meetings unless in unavoidable circumstances.</p> <p>Minutes of Board Meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board Meeting. The signed board minutes are kept properly in the minutes books by the Company Secretary.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company’s website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company was listed in November 2017. The Board Charter was formally adopted by the Board in FY2018.</p> <p>The Company’s Board Charter clearly identifies the respective roles and responsibilities of the board, board committees and individual directors including Independent Non-Executive Chairman and Managing Director. It also clearly identifies the issues and decisions reserved for the board.</p> <p>The Board would regularly review this charter and the charters of Board Committees to ensure they remain consistent with the Board’s objectives and responsibilities, and relevant standards of corporate governance.</p> <p>The Board Charter is published on the Company’s website at www.asastera.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company was listed in November 2017. The Code of Conduct and Ethics for Directors was formally adopted in FY 2018.</p> <p>The Code of Conduct and Ethics for Directors includes the following principles:-</p> <ul style="list-style-type: none">• Compliance with Legal and Regulatory Requirements, and the Company's Policies• Observance of Board Charter• Duty to Act in the Best Interest of the Group• Competence• Integrity• Objectivity• Confidentiality• Fairness <p>The Code of Conduct and Ethics for Directors is published on the Company's website at www.asastera.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company was listed in November 2017. The Whistleblower Policy was formally adopted in FY 2018.</p> <p>The Whistleblower Policy, provides an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.</p> <p>The Whistleblower Policy provides contact details of the Audit Committee Chairman, as the avenue for stakeholders to raise the above concerns.</p> <p>The Whistleblower Policy is published on the Company’s website at www.asastera.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>In FY 2017, the Board comprises three (3) Independent Directors (“IDs”) out of five Board Members.</p> <p>In March 2018, Datin Chan Pey Kheng was appointed as the Executive Director of the Company. Currently, the Board comprises of three (3) Independent Directors out of six Board Members.</p> <p>The presence of half of the board comprises Independent Directors provides effective check and balance in the functioning of the Board to safeguard the interests of all stakeholders.</p> <p>The three Independent Directors do not participate in the daily operations and management of the Company and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors’ judgment. They are pivotal in bringing impartially and scrutiny to the Board’s deliberation and decision making process.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

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

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board have put in place the necessary selection criteria for the appointment of Directors. Through Board Effectiveness Evaluation, the Directors are assessed annually and the findings are consolidated in a performance report which is analysed and tabled to the Nomination Committee for review and endorsement by the Board.</p> <p>All nominees and candidates to the Board are first considered by the Nominating Committee taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as a director. The Nominating Committee will then endorse the nominees and candidates for approval by the Board.</p> <p>On key senior management appointment, candidates are first considered by the Nominating Committee where focus is in their skills set, competencies, experience, integrity and other qualities, prior to recommendation for approval by the Board.</p> <p>In respect of workforce diversity, the Company is committed to provide equal employment opportunities and particles merit-based promotion regardless of gender. Out of our entire employee workforce, 69% are male while 31% are female.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied
Explanation on application of the practice	:	A formal written policy on gender diversity would be tabled for approval and adoption in FY2018. Notwithstanding the above, in FY 2017, the Board comprised of one (1) female Director out of five Directors. In March 2018, Datin Chan Pey Kheng was appointed as the Executive Director of the Company. With the appointment of Datin Chan, the Board currently has two (2) female members, representing more than 30% of the total Board members.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>Candidates for appointment of Directors is facilitated through recommendation made by directors, management and/or external parties.</p> <p>The appointment of the three Independent Directors in FY 2017 had been based on recommendations from external parties. The Board had assessed the suitability and calibre of the independent directors prior to approving the appointment.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee is chaired by an Independent Non-Executive Director, Ms Tong Siut Moi.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Departure	
Explanation on application of the practice	:	The Company was listed in November 2017. The annual evaluation of the board, its committees and each individual director would be conducted in FY 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has established Directors' Remuneration Policies and Procedures and Remuneration Policy for Employees.</p> <p>The Board delegates to the Remuneration Committee the responsibility to consider and approve the remuneration arrangements of the Directors and Senior Management positions in the Company.</p> <p>The remuneration policy is designed to ensure the reward is measurably linked to achievement of business and individual performances.</p> <p>The above Policies and Procedures would be reviewed every five (5) years.</p> <p>The Directors' Remuneration Policies and Procedures and Remuneration Policy for Employees is published on the Company's website at www.asastera.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Remuneration Committee comprised exclusively of Independent Non-Executive Directors and is chaired by Ms Tong Siut Moi.</p> <p>The Remuneration Committee is guided by appropriate policies and procedures when reviewing and recommending remuneration of board and senior management.</p> <p>The Remuneration Committee reviews annually and recommend matters relating to the remuneration of the Board and senior management to ensure that rewards commensurate with their contributions.</p> <p>The Remuneration Committee ensures that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.</p> <p>The Remuneration Committee's Terms of Reference is available on the Company's website at www.asastera.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	Detailed disclosure on named basis for the remuneration of each individual director is in page 29 of the Company's Annual Report. The remuneration of the individual Directors consist of the breakdown in fees, salary, bonus, benefits in-kind and other emoluments.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	due to the intense competition, the company believes that individual disclosure on a named basis for the remuneration of the top five senior management personnel is not in the best interest of the Company.
		The remuneration packages of the senior management of the company is based on accepted industry benchmarks for the relevant positions based on expertise and experience. Additional remuneration such as year-end bonuses is based on achievement of individual KPIs.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	The Chairman of the Audit Committee, Mr Lu Chee Leong, is not the Chairman of the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	None of the members of the Board or the Audit Committee are former key audit partner. The policy on observation of a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as a member of Audit Committee, would be incorporated in the Terms of Reference of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee has established procedures to assess the suitability, objectivity and independence of the external auditors. Assessment will be carried out annually on the suitability, objectivity and independence of the external auditors.</p> <p>The Audit Committee is satisfied with the external auditors' confirmation of independence and their conduct of the audit in compliance with the Approved Standards of Auditing in Malaysia and International Standards of Auditing and compliance with the ethical requirements in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the Internal Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.</p> <p>The Company was listed in November 2017. Assessment of the External Auditors would be undertaken in FY2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises solely of Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The members of Audit Committee have the relevant accounting or related experience and expertise in financial service industry to effectively discharge their duties. The qualification and experience of the individual Audit Committee members are disclosed in the Board of Directors' Profile in the Annual Report.</p> <p>All members of the Audit Committee had undertaken continuous professional development. During the year, the Audit Committee members attended the following training:</p> <ul style="list-style-type: none"> (i) Pathway for Tax Agent License – A Comprehensive Guidance (ii) Companies Act 2016 : Practical Insights On Compliance (iii) Mandatory Accreditation Programme for Directors of Public Listed Companies (iv) Preparing The Sustainability Report & Management Discussion & Analysis – What A Company Secretary Need To Know (v) MAICSA Annual Conference 2017 – Companies Act 2016 – A Paradigm Shift (vi) Corporate Directors Advanced Programme (CDAP) - Financial Language In The Boardroom (vii) Independent Directors Programme : The Essence Of Independence (A joint programme with Bursa Malaysia Berhad) (viii) CG Guide Briefing
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>A Risk Management Committee (RMC) has been set up to oversee and ensure the effective implementation of the framework, including the setting of risk appetite and risk tolerance statements.</p> <p>The Managing Director together with the Executive Directors are responsible for managing risks in accordance to regulatory guidelines and internal policies approved by the Board.</p> <p>A structured process has been established to identify and assess risks arising from the Company’s operations, as well as the effectiveness of the control measures and internal control practices.</p> <p>The RMC meets at least once every quarter with the Managing Director and Executive Directors to deliberate on the findings and recommendations of the risk assessments performed.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Statement of Risk Management and Internal Control is disclosed in the Company's annual report.</p> <p>Attestation has been made by the Board with regard to the adequacy and effectiveness of the framework.</p> <p>Although the Board is of the view that the present risk management and internal control is adequately in place to safeguard the Company's assets and sufficient to detect any fraud or irregularities, the Board is on a constant watch for any improvement that may strengthen its current system from time to time.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - 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 Risk Management Committee comprises a majority of Independent Director.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has outsourced its Internal Audit function to an independent service provider, which assists the Audit Committee in the discharge of its duties and responsibilities. The role of the outsourced Internal Audit Firm is to provide independent and objective reports on the organisation's management, records, accounting policies and controls to the Board.</p> <p>The internal audits include evaluation of the processes where significant risks are identified, assessed and managed. Such audits also ensure that instituted controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Company's Risk Management and Internal Control Framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	<p>The outsourced internal audit firm, Talent League Sdn Bhd (Talent League), is free from any relationships or conflict of interest or undue influence of others to override professional and business judgment, which could impair their objectivity and independence. The independence of the outsourced internal audit firm is derived from its direct reporting and unencumbered access to the Audit Committee and reports directly and functionally, to the Audit Committee and ultimately to the Board.</p> <p>The internal audit is based on a Risk-based Internal Audit Services (“RBIA”) approach.</p> <p>A team of 2 staff was assigned by Talent League to undertake the internal audit of KAB headed by Mr. Hong Cheong Liang. He is a member of Malaysia Institute of Accountants and CPA Australia and he is also an associate member of Institute of Internal Auditors Malaysia.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board ensures the Company announces its quarterly results on timely basis to the shareholders and also make necessary announcement to its stakeholders.</p> <p>The Board would also ensure stakeholders are given the opportunity to speak and seek clarification during the Company's Annual General Meeting, for effective and transparent communication with its stakeholders.</p> <p>Investor relations activities such as meetings with fund managers & analyst and interview by the media are attended by the designated senior management personnel, such as the Managing Director, Executive Directors (ED) and Chief Financial Officer.</p> <p>The Company also via its website (i.e. www.asastera.com), includes a Corporate section which provides all relevant information of the Company, and it is accessible to the public. This Corporate Section enhances the Investor Relations (IR) function by including all announcements made, share price information and other corporate information.</p> <p>The IR function is established to enable continuous communication between the Company and its stakeholders. The stakeholders are encouraged to channel their concerns to the contact person whose name and email address- kabinvestor@asastera.com is provided on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company will not consider adopting integrated reporting as KAB is not classified as a Large company yet	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	The Company's Annual General Meeting ("AGM") is scheduled to be convened on 21 May 2018. The Notice of AGM has been issued to the shareholders on 20 April 2018, 28 days prior to the date of the AGM.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors will be to be present at the Company's General Meetings. The Chairman of the Audit, Nominating, Remuneration and Risk Management Committees would be present to provide response if there are any questions addressed 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 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	The Company's Annual General Meeting will be held at the Bukit Jalil Golf Club, located within the Klang Valley and not in a remote location for easy access.
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	:	

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

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

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