

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7986
COMPANY NAME : CN ASIA CORPORATION BHD
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 vital responsibilities of the Board are to lead the Group towards its mission by providing entrepreneur leadership and direction as well as management oversight. The Board assumes the following responsibilities for the Group: -</p> <ul style="list-style-type: none">i. determining strategic planning and direction of the Group;ii. overseeing the overall conduct of the Group's business;iii. identifying principal financial and non-financial risk, risk appetite and ensuring the implementation of systems to analyse, evaluate, manage and monitor risks;iv. developing succession planning for board and senior management;v. reviewing the adequacy and integrity of the Group's internal control systems and management information systems;vi. establishing goals for management and their performance;vii. monitoring the achievement of these goals.viii. ensuring the integrity of Company's financial and non-financial reporting.ix. ensuring that the Company has in place procedures effective communication with stakeholders. <p>There is a clear division of responsibilities between the Board members to ensure that there is a balance of power and authority as well as enhance accountability of each member. The Board is always guided by the Board Charter (the "Charter") of which the Board's roles, responsibilities and authorities are defined and practiced ensuring the maximisation of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term value creation with proper social and environmental considerations. The authorisation procedures for key processes are stated in the Group's policies and procedures.</p>

	<p>As part of its initiative for effective discharge of its leadership role and enhancement of accountability, the Board has delegated specific powers to the Chairman, the Managing Director, the Executive Director and the following Board Committees: -</p> <ul style="list-style-type: none"> i. Audit Committee ii. Nomination Committee iii. Remuneration Committee iv. Risk Management Committee <p>The powers delegated to each of the Board Committees are set out in the respective Terms of Reference as approved by the Board and is available on the Company's website at www.cnasia.com.</p> <p>Notwithstanding the delegation of specific powers, the Board remains its full responsibility for the direction and control of the Group to safeguard the interests of the shareholders and to enhance shareholders' value.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Dato' Hilmi, the Chairman of the Board, an Independent Director, is able to ensure effective conduct and performance of the Board. He also provides strong leadership leading the Board's priority more objectively in driving the focus on governance and compliance, through his primary responsibility in running and leading the discussion at the Board level.</p> <p>The key roles and responsibilities of the Chairman as set out in the Company's Board Charter are as follows: -</p> <ul style="list-style-type: none">• To lead the Board in the oversight of the management;• To provide strong leadership by being able to marshal Board's priorities more objectively; and• To chair General Meetings and Board Meetings.
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 Chairman, Dato' Hilmi Mohd Noor and the Managing Director, Mr. Ho Cheng San, both are held by two (2) different individuals. The distinct and separate roles of the Chairman and Managing Director promote accountability and facilitate division of responsibilities between them.</p> <p>The Managing Director, with the assistance and support from the Executive Director and Key Senior Management, is responsible for managing the day-to-day management of the Company and the Group, implementing the Board's policies and decisions to achieve the short term and long term objectives as well as coordinating the development and implementation of business and corporate.</p> <p>The respective duties and responsibilities of the Chairman and Managing Director are contained in the Board Charter.</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 Board is assisted by Ms Lim Paik Goot, a professional qualified competent Company Secretary, who is a member of the Malaysian Institute of Accountants ("MIA"), in the discharge of its functions with her attendance in all Board and Board's Committee meetings and advises the Board on the Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. During the financial year under review, the Board appointed additional two (2) Joint Company Secretaries to assist the existing Company Secretary in view of the added responsibility of company secretary present in the new Companies Act 2016 and the new MMLR of Bursa Securities. The newly appointed Companies Secretaries, namely Ms Wong Chooi Fun and Ms Goh Chooi Woan are both members of Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretaries have attended trainings and seminars conducted by Companies Commission of Malaysia, MAICSA, MIA and Bursa Securities to keep abreast with the relevant updates and development of the MMLR, compliance with Capital Markets and Services Act 2007 (Amendment 2012), Companies Act 2016 and to ensure the Company's compliance to the MCCG 2017.</p> <p>The Company Secretaries also ensure that there is good information flow within the Board and between the Board, Board Committees and Key Senior Management. The Company Secretaries are also entrusted to record the Board's deliberations, in terms of issues discussed, and the conclusions and the minutes of the previous Board and Committees meetings are distributed to the Directors prior to the Meetings for their perusal before confirmation of the minutes at the commencement of the next Board and committees meetings.</p> <p>The Board has full and unlimited access to the Company Secretaries who are available at all times to provide the Directors with the appropriate advice and services.</p> <p>The Company Secretaries attended all Board and Board Committees meetings to record deliberations, issues discussed and conclusions in discharging their duties and responsibilities and also advise the Board</p>

	on issues relating to the relevant rules and regulations that govern the Company.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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>All members of the Board have full and unlimited access to the advice and services of the Company Secretary, Key Senior Management and where necessary, external independent professional advisers may be engaged, with approval from the Board or the Board Committees, at the Company's expense to enable the Board to discharge their duties.</p> <p>The agenda and Board papers for consideration are circulated to all Directors prior to the Board Meetings to enable the Directors to obtain and access further information and clarification in order to be well informed of the matters before the Meetings.</p> <p>The Board is updated with the new amendments and updates on the regularisations from the authorities from time-to-time as and when occurred by circulating through emails, meetings briefing and hard copy, whichever deemed appropriate and applicable.</p> <p>In addition, the Board is notified of any corporate announcements released to Bursa Securities and is also kept informed of the requirements and updates issued by the various regulatory authorities through the Company Secretaries.</p> <p>The decisions made at the Board and Board Committees meetings are also communicated to the Management in a timely manner to ensure appropriate execution.</p> <p>The deliberations and conclusion of issues discussed in the Board and Board Committees meetings are duly recorded in the minutes. The draft of which is circulated for Board and Board Committees' review within a reasonable timeframe after the meeting.</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 demarcation of responsibilities between the board, board committees and management.

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by the Board Charter (the “Charter”) which set out the roles and responsibilities of the Board, Chairman and Managing Director. The Charter has been adopted by the Board and the objectives of this Charter are to ensure that all Board members are aware of their duties and responsibilities as member of the Board and that the relevant legislations and the principles and practices of good Corporate Governance are applied in discharging their duties and responsibilities.</p> <p>The Charter addresses, among others, the following matters:-</p> <ul style="list-style-type: none"> • Board Structure • Board Composition • Role of Board • Role of Chairman and Managing Director • Board Meetings • Board Committees • Financial Reporting • Investor Relations and Shareholder Communication <p>The Charter will be reviewed periodically and updated by the Board to ensure it is kept up-to-date with changes in regulations and best practice and ensure its effectiveness and relevance to the Board’s objectives and responsibilities. The Charter is available on the Company’s website at www.cnasia.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 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 Code of Ethics and Conduct ("COE") has been put in place for all Directors and employees of the Group as a guide in discharging their duties and responsibilities by demonstrating good judgment and honesty as well as loyalty and ethics in the conduct of its business that are aligned with best practices and applicable laws, rules and regulations.</p> <p>The COE covers the following overarching areas:</p> <ul style="list-style-type: none"> • Compliance and Observation of Laws, Rules and Regulations • Fair and robust competition • Protecting Confidential Information • Conflicts of Interest • Gifts and Entertainment • Whistleblowing Policy <p>This COE has been adopted and reviewed periodically by the Board. It is made available on the Company's website at www.cnasia.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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	The Company believe that the in place of the Whistleblowing Policy will facilitate and encourage disclosure of genuine concerns about any possible violations and improprieties in matters related to financial reporting, compliances and other malpractices committed withing the Company as outlined in the Whistleblowing Policy included in the COE of the Company. Should any employees have information in regard to the violation or improprieties, he/she should report the matter immediately to the line manager, higher management or the Board. All reports or complaints of this nature shall be treated strictly confidential unless otherwise required disclosure by the law or court order.
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	:	Currently, the Board has six (6) members of which three (3) out of six (6) are Independent Directors. Therefore, 50% of the Board comprises Independent Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	: Applied - Two Tier Voting
Explanation on application of the practice	<p>Dato' Hilmi Mohd Noor and Mr. Chong Ying Choy have each served the Board for more than twelve (12) years. The Company has obtained shareholders' approval at the Annual General Meeting ("AGM") to retain both directors as Independent Directors after due consideration of their experience and contribution to the Board. The last approval was sought at the 21st last AGM held on 25 May 2017.</p> <p>The Board believes they have over the time developed increased insight into the Company of which their experience and exposure to the Company over the years has provided an increasing contribution to the effectiveness of the Board.</p> <p>In order to ensure independent and objective judgment are brought to the Board's deliberation by genuine independency of the independent directors and to ensure conflict of interest or undue influence from interested parties is well taken care of, the Board is committed to ensure the independence of the independent directors are assessed by Nominating Committee prior to their appointment based on formal nomination and selection process with the results of the review are reported to the Board for consideration and decision.</p> <p>The Board will seek for shareholders' approval at the forthcoming AGM to retain the Independent Directors, who have both served the Board as Independent Directors for tenure of more than twelve (12) years, through a two-tier voting process as recommended by the Code.</p> <p>Shareholders' approval will be sought at the forthcoming AGM to retain the the Independent Directors, who have both served the Board as Independent Directors for tenure of more than twelve (12) years, through a two-tier voting 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 4.3 - 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	:	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. The Board has in place a set of director selection criteria for used in the selection and recruitment process. This set of criteria will be used as reference by the Group's Human Resource department for selection and recruitment of Senior Management of the Group. The Profile of Directors and the Senior Management Team are set out in the Annual Report 2017.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is supportive to the gender diversity in the boardroom as recommended by the Code. In considering Board appointment, the Board, through its Nomination Committee, believes in and provides equal opportunity to candidates who have the necessary skills, experience, commitment (including time commitment), core competencies and other qualities regardless of gender, ethnicity and age. Currently, there is one (1) female director on Board, Madam Angeline Chan Kit Fong, representing 16.7% female participation on the Board.</p> <p>The Board does not have a specific policy on setting for female participation on Board. Nevertheless, the Board is committed to provide fair and equal opportunities, through its Nomination Committee, in considering gender diversity to achieve optimum composition of the Board.</p> <p>The Board, through the Nomination Committee will continue to observe the female participation on Board and will also take steps towards formalising such policy, targets and measures to reflect company commitment towards gender diversity.</p>
<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>There is no new appointment of director during the financial year under review.</p> <p>The Nomination Committee (“NC”) is responsible for identifying, assessing and recommending to the Board suitably qualified candidates for directorship on the Board as well as members of the Board Committees.</p> <p>The NC will assess candidate suitability based on a set of criteria as set out in the Criteria for Selection of Directors established and approved by the Board.</p> <p>In identifying suitable candidates, the Board does not solely rely on recommendations from existing Board members, management and major shareholders. It is also open to referrals from external independent sources available, such as industry and professional associations, Financial Institution Directors Education (FIDE) Forum and also independent search firms to identify suitably qualified candidates, when necessary.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied												
Explanation on application of the practice	:	<p>The Nomination Committee is tasked by the Board to amongst others, identify, assess and recommend to the Board suitably qualified candidates for appointment to the Board and Board Committees, re-election and re-appointment of Directors, and review the independence of Independent Directors, considering the Board's succession planning and training programmes as well as performing formal assessment of the effectiveness of individual Directors and the annual appraisal of the Executive Directors' performance based on the selected performance criteria. In addition, the Committee is also tasked to review the required mix skills, experience and other qualities, including core competences of the members of the Board.</p> <p>The Nomination Committee comprises of all independent Non-Executive Directors and the members are:-</p> <table border="1"><thead><tr><th>Name of Directors</th><th>Directorate</th><th>Designation</th></tr></thead><tbody><tr><td>Dato' Hilmi bin Mohd Noor</td><td>Independent Non-Executive Chairman</td><td>Chairman</td></tr><tr><td>Chong Ying Choy</td><td>Independent Non-Executive Director</td><td>Member</td></tr><tr><td>Lee King Loon</td><td>Independent Non-Executive Director</td><td>Member</td></tr></tbody></table> <p>The Terms of Reference of the Nomination Committee is being reviewed, updated and adopted at a Board meeting held during the financial year. It is made available on the Company's website at www.cnasia.com.</p>	Name of Directors	Directorate	Designation	Dato' Hilmi bin Mohd Noor	Independent Non-Executive Chairman	Chairman	Chong Ying Choy	Independent Non-Executive Director	Member	Lee King Loon	Independent Non-Executive Director	Member
Name of Directors	Directorate	Designation												
Dato' Hilmi bin Mohd Noor	Independent Non-Executive Chairman	Chairman												
Chong Ying Choy	Independent Non-Executive Director	Member												
Lee King Loon	Independent Non-Executive Director	Member												
Explanation for departure	:													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
Measure	:													

Timeframe	:		
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Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the Nomination Committee meeting held during the financial year, an evaluation was carried out through a set of questionnaires with the answers collated, summarised and reported to the Board by the Chairman. The Board, through the recent review and assessment of the Nomination Committee, confidently believe that the size and composition of the Board is appropriate, balance and that there is appropriate mix of skills, experience and expertise as well as core competency to discharge its duties effectively.</p> <p>In addition, the Committee has developed a set of criteria for use in the recruitment process, deliberated by the Committee and adopted by the Board during the financial year under review.</p> <p>The current criteria for annual assessment of Directors are outlined in the Director's Evaluation Form. The effectiveness of the Board is assessed in the areas of Board size, mix of composition, conduct of Board meeting, Boardroom activities and Directors' skills set matrix. The Board Committees are assessed based on their roles and scope of work, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their duties.</p> <p>In the case of individual Directors, peer and self-assessment is carried out to evaluate their contribution, performance and competencies, such as ability to give constructive suggestions, provide logical and honest opinion on issues deliberated, demonstrate objectivity and integrity in decision making process, offer practical and realistic advice and demonstrate willingness to devote time and effort to the Board and Board Committees. In the case of Independent Non- Executive Directors, they are also assessed on the level of their independence and ability to defend stand through constructive deliberation where necessary. In addition, the Directors are also being assessed on their caliber and personality in discharging their duties and responsibility as a member of the Board.</p> <p>In addition, the assessment also takes into consideration on time commitment of the Board Member where the participation of the</p>

	Board in each Board and Committees meetings.	
	The Board, through the Nomination Committee, assesses the Independent Directors annually where the evaluation took into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning 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

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 Group's Remuneration Policy and Procedure ("RPP") sets out the procedure of determining the remunerations of directors and senior management which takes into account the demands, complexity and performance of the Group as well as skills and experience required for the position.</p> <p>The objectives of this RPP are to ensure that the directors and senior management are offered an appropriate level and composition of remuneration and other benefits by taking into account the Group's desire to attract and retain the right talent and expertise with the aim to motivate the directors and senior management to achieve the Group's short-term and long-term business objectives.</p> <p>The Group's RPP is adopted and will be periodically reviewed by the Board to ensure it remains effective, consistent with the Board's objectives and responsibilities and in line with the relevant laws and legislations. This RPP is made available on the Company's website at www.cnasia.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 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 Remuneration Committee is responsible to recommend the remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully taking into consideration all relevant factors including the functions, workload and responsibilities involved. In establishing the remuneration packages and benefits for the Managing Director and Executive Director, the Remuneration Committee has regarded the packages offered by comparable companies, and may obtain independent advice, where necessary. The remuneration of the Managing Director and the Executive Director comprises a fixed salary and allowance approved by the Board, which is in line with the Group's performance, overall policy on compensation and benefits with due consideration to compensation levels.</p> <p>The recommendation to the Board was made based on the results of the evaluation and review of the Committee conducted on an annual basis. The Board as a whole determines the remuneration of Executive and Non-Executive Directors. The Managing Director is tasked to review and assess the remuneration packages of the senior management of the Group.</p> <p>During the financial year, there was one (1) Remuneration Committee meeting held to review the performance and remuneration package for Executive and Non-Executive Directors which was attended by all committee members. The remuneration package of the Managing Director and Executive Director were approved by the Board with recommendation from the Remuneration Committee.</p> <p>Remuneration package of Non-Executive Directors will be a matter to be decided by the Board as a whole with the Directors concerned abstaining from deliberations and voting on decisions in respect of his</p>

	<p>individual remuneration. Fees and benefits payable to the Directors is determined by the Board with the approval from shareholders at the Annual General Meeting.</p> <p>The Remuneration Committee has written Terms of Reference which deals with its duties and authorities. This Terms of Reference is adopted and periodically reviewed by the Board and is made available on the Company's website at www.cnasia.com.</p>	
<p>Explanation for departure</p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	:	
<p>Timeframe</p>	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure on named basis for the remuneration of individual directors are set out in item 7.1 of the Corporate Governance Overview Statement as set out in the Annual Report 2017.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	-
Explanation for departure	:	<p>The remuneration of the top five Senior Management is disclosed in bands of RM50,000 as stated in the Annual Report 2017. At this juncture, the Board is of the opinion that the disclosure of the Senior Management personnel names and the various remuneration components (salaries, bonus, benefit-in-kind, other emoluments) would not be in the best interest of the Group, due to confidentiality and security concerns.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attract, retain and motivate Senior Management to lead and run the Company successfully. Excessive remuneration payouts are not made to Senior Management personnel in any instance.</p> <p>The disclosure of the remuneration of the top five Senior Management of the Company is currently made on an aggregate basis and its allow stakeholders to make an appreciable link between remuneration of Senior Management and the performance of the Group.</p>
<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 is Mr. Chong Ying Choy, an Independent Director, who is not the Chairman of the Board. The profile of the Chairman of Audit Committee is set out in the Profile of Directors detailed in the Annual Report 2017.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee comprises of three (3) members, solely independent directors and none of the members were former key audit partner of the Company's external auditors.</p> <p>The Terms of Reference of Audit Committee provides that any former key audit partner to be appointed as a member of the Audit Committee, a cooling-off period of at least two (2) years will be observed by the Group.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	<p>The Company maintains a transparent relationship with the external auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.</p> <p>The Audit Committee is empowered by the Board to review all issues in relation to the reappointment of external auditors. During the financial year under review, the performance evaluation of the external auditors was carried out by the Audit Committee through a set of questionnaires with the answers collated, summarised and deliberated during the Audit Committee meeting and recommended to the Board for reappointment of the external auditors.</p> <p>The external auditors have confirmed to the Board that they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of relevant professional and regulatory requirements. The Board has received written declaration from the external auditors of their independence throughout the term of their engagement in accordance with the terms of the relevant professional and regulatory requirements including the bye-laws of the Malaysian Institute of Accountants.</p> <p>There is no written policy and procedure to assess the external auditors and the Audit Committee is looking into formalising an External Auditors Assessment Policy to be reviewed, deliberated and recommended to Board for approval.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	

Timeframe	:		
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Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprise solely of Independent Directors and the composition and activities carried out by the Audit Committee during the financial year under review is set out in the Audit Committee Report as set out in the Annual Report 2017.

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 the Committee possess a variety of industry-specific knowledge and technical as well as commercial experiences bring to bear objective and independent judgment in discharging their duties. All members of the Committee are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting processes of the Group.</p> <p>During the financial year ended 31 December 2017, the members of the Audit Committee undergone various training programs, seminars, workshops and conferences to keep themselves updated with new regulatory developments and changes affecting the Group of which are detailed in Item 5.1 – Directors' Training of Corporate Governance Overview Statement as set out in the Annual Report 2017.</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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board has ultimate responsibility in reviewing the Group's risks, approving the risk management framework and overseeing the Group's strategic risk management and internal control system to safeguard shareholders' investments and the Group's assets. The Audit Committee and Risk Management Committee assist the Board in discharging these responsibilities by overseeing and reviewing the risk management framework and the effectiveness of the risk management and internal control of the Group.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	The Group has outsourced the activities and function of the internal audit to external consultants that reports administratively to the Managing Director and functionally to the Audit Committee. Details of the Group's risk management and internal control framework including the scope of work covered by the outsourced internal audit function are provided in the Statement on Risk Management and Internal Control as set out in this Annual Report 2017.
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	:	<p>The Board has established a new Risk Management Committee ("RMC") and the members are comprising of a majority of independent directors in November 2017. The newly established RMC is in line with the provision of the Code to oversee the Group's risk management framework and policies. The members of the RMC are as follows: -</p> <table border="1"><thead><tr><th>Name</th><th>Position</th><th>Directorate</th></tr></thead><tbody><tr><td>Lee King Loon</td><td>Chairman</td><td>Independent Director</td></tr><tr><td>Chong Ying Choy</td><td>Member</td><td>Independent Director</td></tr><tr><td>Angeline Chan Kit Fong</td><td>Member</td><td>Executive Director</td></tr></tbody></table> <p>The objective of the RMC is to maintain and monitor risk management of the Group. In order to attain this objective, the Group has: -</p> <ul style="list-style-type: none">• adopted a structured and systematic risk assessment, monitoring and reporting framework; and• enhanced the culture of risk awareness in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring by the various departments within the Group.	Name	Position	Directorate	Lee King Loon	Chairman	Independent Director	Chong Ying Choy	Member	Independent Director	Angeline Chan Kit Fong	Member	Executive Director
Name	Position	Directorate												
Lee King Loon	Chairman	Independent Director												
Chong Ying Choy	Member	Independent Director												
Angeline Chan Kit Fong	Member	Executive 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 Board acknowledged that the overall responsibility in maintaining a sound risk management framework and system of internal control that provides reasonable assurance of effective and efficient operations and compliance with the internal procedures and guidelines</p> <p>The outsourced internal audit function provides the Audit Committee with periodic internal audit reported outlined the observations and recommendations to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.</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 internal audit function of the Group is outsourced to external consultants, GovernanceAdvisory.Com Sdn Bhd of which they are free from any relationship or conflicts of interest with the Group, which could impair their objectivity and independence.</p> <p>During the financial year under review, a self-assessment evaluation was carried out by the outsourced internal audit function to assess their performance in the area of competency, resources and independency in discharging their duties of internal audit function of the Group and the outcome of the assessment is as follows: -</p> <ul style="list-style-type: none">• the outsourced internal audit team are independent and objective from the Company;• the number of resources in outsourced internal audit team is 5;• the name and qualification of the person responsible for internal audit are: -<ol style="list-style-type: none">i. Jason Tee – AIIAii. Yap Lai Kuan – Master in Finance• the internal audit function is carried out in accordance with a recognised framework. <p>Further evaluation was carried out by the Audit Committee on the performance of the outsourced internal audit function of the Group and the results were reported to the Board. The Board is satisfied that the outsourced internal audit has the necessary competency, experience and resources to carry function effectively and that the outsourced internal audit function is independent and objective from the management of the Group.</p> <p>Further details of the Group’s risk management and internal control framework is provided in the Statement on Risk Management and Internal Control and Audit Committee Report set out in this Annual Report.</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 recognises the importance of an effective, transparent and regular communication between the Company and its stakeholders in order to facilitate mutual understanding of each other's objectives and expectations. The primary modes of disseminating information on the Group's business activities, corporate activities and financial performance are the annual reports, quarterly results and any announcements on material corporate exercise in particular the update of the Company's PN 17 status.</p> <p>The Board has formalized its Corporate Disclosure Policy and Procedure ("CDPP") to enable comprehensive, timeliness, accuracy and quality disclosures to the regulators, shareholders and stakeholders with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. This CDPP provides a good framework for compliance with the disclosure policies under the MMLR of Bursa Securities and set out the designated persons authorized and responsible to approve, coordinate and disclose material information to shareholders and stakeholders.</p> <p>The Group maintains its corporate website at www.cnasia.com for shareholders and the public to access information relating to its businesses, financial performance, operations and corporate development through annual reports, quarterly reports, circulars and various announcements on a timely manner. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Company's website. Written communications are attended to within a reasonable time from the day of receipt.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

There is 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	:	Applied	
Explanation on application of the practice	:	The Group is not a large company, however it will aim to adopt the integrated reporting in future. The Group will take necessary approach to achieve the aim in integrated reporting.	
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	:	Others	Within 5 years

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 principal forum for dialogue with shareholders remains at the Annual General Meeting (“AGM”). The Annual Report together with the notice of AGM is circulated at least twenty-eight (28) days before the meeting date to provide shareholders sufficient time to go through the Annual Report and make the necessary attendance and voting arrangement at the AGM. Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>All directors attended the General Meetings held during the year under review.</p> <p>Shareholders are encouraged to ask questions and seek clarification at the AGM of the Company on both the resolutions being proposed and the Group's business and performance. All suggestions and comments put forth by shareholders will be noted by the Board for consideration. The Share Registrar is available to attend to matters relating to shareholders' interest during the AGM. Alternatively, shareholders can seek additional information and divert queries to the Company through the Company's website at www.cnasia.com which is being updated and enhanced from time-to-time to include corporate, financial as well as non-financial information.</p> <p>During the last AGM, the Chairman provided shareholders with a brief review of the Company's financial year's performance and operations. The Group's senior management and external auditors were also in attendance to respond to the shareholders' queries. All resolutions as set out in the Notice of AGM were put to vote by poll. A poll administrator was appointed to administrate, coordinate and counting the votes and a scrutineer was appointed to validate the vote casted during the AGM. The voting decisions were then announced to the shareholders by the Chairman at the AGM that all resolutions as set out in the Notice of AGM were duly passed by the shareholders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	-
Explanation for departure	:	<p>The Company's General Meeting has been held within the Klang Valley at locations which are accessible by public transport and never in remote location.</p> <p>Shareholders are given notice of AGM at least twenty-eight (28) days before the meeting date, sufficient time to make arrangements to attend the AGM.</p> <p>As an alternative practise, shareholders who are unable to make the journey are allowed to send a proxy in place to attend the AGM, to participate, speak and vote on their behalf.</p> <p>Shareholders can also submit any questions or queries prior to the AGM.</p> <p>However, the Company will continue to explore the availability a reliable technology which is suitable and efficient for this purpose.</p>
<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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