

**STOCK CODE** : 7129  
**COMPANY NAME** : ASIA FILE CORPORATION BHD  
**FINANCIAL YEAR** : March 31, 2018

**OUTLINE:**

**SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible towards the strategic planning, resource organisation and the overall operations of the Group. The principal roles and responsibilities of the Board are set out in the Board Charter which is available on the Group's website ( <a href="http://www.asia-file.com">www.asia-file.com</a>). Matters which are reserved for the Board to decide based on recommendations from the Board Committees and the management are also listed in the Board Charter.</p> <p>In discharging its responsibilities effectively, the Board has delegated specific responsibilities to the following committees:-</p> <ul style="list-style-type: none"> <li>a) Audit Committee;</li> <li>b) Nomination &amp; Remuneration Committee</li> </ul> <p>Each Board Committee is governed by its terms of reference which sets out the duties and responsibilities of the Committee.</p> <p>The Board meets at least quarterly to review and discuss the Group's performance. If the need arises, additional meeting will be convened.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles and responsibilities of the Chairman are set out in the Board Charter. The Chairman is responsible to ensure that the principles of good corporate governance are upheld in all aspects of the Group's operation.</p> <p>The Chairman, Dato Lim Soon Huat, leads the Board and chairs the Board meetings. Due to his extensive experience and his in depth knowledge of the industry, he is able to provide an excellent insight in relation to the performance and outlook for the Group. During the meetings, members of the Board are encouraged to voice their views on the issues discussed.</p>
<b>Explanation for departure</b>	:	Please provide an explanation on how the practice is being applied.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	Please provide an explanation on how the practice is being applied.
<b>Explanation for departure</b>	:	The Chief Executive, Dato' Lim Soon Huat assumed the role of Chairman upon the demise of the late Dato' Lim Eng Siang on 27 June 2001. The Board is mindful of the dual role of Chairman and Chief Executive held by Dato' Lim Soon Huat but is of the view that the present composition of the Board and its decision making process will provide sufficient check and balance.
		<p>More than 50% of the current Board composition consists of Independent Directors with distinguished credentials and have also acted as Independent Directors in other public listed companies. The Board could rely on their extensive experience and knowledge to ensure that there is independence of judgement.</p> <p>In addition, during the decision making process, the majority view of the Board will be duly considered whereby no single Board member can dominate its decision making process. The Board is confident that there will not be any potential conflict of interest as all related party transactions are disclosed in accordance with the Main Market LR. In view of the extensive experience of Dato' Lim Soon Huat in managing the Group's business, the Board is of the view that it could benefit from a knowledgeable Chairman in providing timely updates and guidance when deliberating on key issues or during discussions on latest developments.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two qualified Company Secretaries, Ms Tai Yit Chan and Ms Ong Tze-En who are both members of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretaries attend all board meetings and ensure that meetings are properly convened. They also advise and provide guidance on all matters in relation to corporate governance and regulatory compliances. At the meetings, they will brief the board on the latest development and also provide updates if there is any changes in regulatory requirement.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the directors’ attendance, the date for the next meeting is scheduled at the end of the meeting. Prior to Board meetings, agenda and materials relevant to the meetings are circulated to the members of the Board at least five (5) business days in advance. Subject to the complexity and urgency of the issues to be discussed and the estimated time required by the Board to study and evaluate the matters to be discussed, a shorter or longer period of notices may be provided to the Board members under special circumstances .</p> <p>The deliberations and decisions adopted at the meetings are properly documented. Minutes of the meetings will be circulated to the Board members for review and confirmation.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter sets out the roles and responsibilities of the Chairman, the Board and also the specific responsibilities delegated to the Board Committees and management.</p> <p>Under Paragraph 9 of the Board Charter, it specifies the various matters for which the final decisions are reserved for the Board to made upon receipt of recommendation from the Board Committees and management .</p> <p>The Board Charter will be reviewed periodically whenever the need arises. It is available on the Group's website –<a href="http://www.asia-file.com">www.asia-file.com</a>.</p> <p>The last review date was 2 July 2018</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is committed to adopting ethical approaches in its operation of business and complying all rules and regulations.</p> <p>The Code of Conduct and Ethics are published on the Group's website and provides guidelines as to how the Group conducts its business which uphold integrity, transparency and fairness.</p> <p>In addition, the Group's employee hand book also outlines the expectation on employees in discharging their duties in an ethical manner.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>A Whistleblowing policy is in place to provide a platform for employees and stakeholders to raise their concerns on improper conduct and malpractice.</p> <p>A dedicated email address (<a href="mailto:whistleblower@asia-file.com">whistleblower@asia-file.com</a>) has been established for the whistle blower to send their reports to. All reports received from whistle blowers will be taken seriously and addressed promptly. They will be kept in strict confidence.</p> <p>To raise the employees' awareness on the above, the Group has pasted posters with relevant information in three major languages ( English, Malay and Mandarin) on the notice boards .</p> <p>The details of the Whistleblowing Policy is available on the Group's website at <a href="http://www.asia-file.com">www.asia-file.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The present composition of the Board comprise of two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-independent Non-Executive Alternate Director. Based on the above, about 60% of the Board members are Independent Non Executive Directors.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	.
<b>Explanation for departure</b>	:	Among the three independent directors, only the tenure of Puan Nurjannah Binti Ali exceeds nine years.
		The Nomination & Remuneration Committee and Board of Directors have carried out evaluations and assessment and concluded that Puan Nurjannah Binti Ali has performed her duties diligently. She is able to provide independent views when participating in deliberations and decision making by the Board and Board Committees. The length of her service does not in any way interfere with her exercise of independent judgement and the ability to act in the best interest of the Group. In addition, Puan Nurjannah Binti Ali is not related to any directors and substantial shareholders of the Group. She also does not own any shares in the Group.
		The Group will seek shareholders' approval at the forthcoming Annual General Meeting to retain Puan Nurjannah Binti Ali as Independent Director.  The Group will review its Constitution before proposing any amendments to adopt the two-tier voting process as prescribed by MCCG.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	This is Not Adopted in view that the Company does not fall within the definition of "Large Companies".

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Although the current Board composition reflects a diverse background, the Group practises non-discrimination (whether on age, gender, race or religion) when comes to selection criteria for Board members and senior management. Their appointment will be based on effective blend of competences, skills, experiences and knowledge.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Although the Group does not have any formalised policy on gender diversity, the current Board composition meets the criteria of at least 30% women directors.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nomination & Remuneration Committee is responsible for making recommendations for any appointments to the Board. The Committee will take into consideration the candidate's skills, knowledge, expertise, integrity and other qualities deemed necessary for effective discharge of duties and responsibilities.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Mr Ng Chin Nam, the Independent Non-Executive Director is the Chairman of the Nomination & Remuneration Committee.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Annual performance evaluation of each director and Chief Financial Officer were carried out based on self assessment basis.</p> <p>The assessment and evaluation consists of four sections:-            Section I- Board and Board Committees Evaluation for each Director;            Section II – Assessment of Character, Experience, Integrity, Competence and Time Commitment for each Director, Chief Financial Officer;            Section III- Assessment on Mix of Skill and Experience for each Director;            Section IV – Evaluation of Level of Independence of a Director for Independent Directors</p> <p>Results of the assessment were compiled and evaluated by the Nomination &amp; Remuneration Committee who was satisfied with the outcome of the evaluation.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The remuneration structure for the Executive Directors and Senior Management links rewards to individual and company performances while the director fees paid to the Non-Executive Directors will take into consideration the level of responsibilities undertaken.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee was set up during the year to review and recommend to the Board a transparent and equitable remuneration policy and framework for the directors and Senior Management. The Committee was integrated into the existing Nomination Committee and renamed as Nomination &amp; Remuneration Committee.</p> <p>The Committee is headed by Mr Ng Chin Nam, an Independent Non-Executive Director.</p> <p>The terms of reference for the Nomination &amp; Remuneration Committee is available on the Group's website ( <a href="http://www.asia-file.com">www.asia-file.com</a> )</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied																																																																																						
<b>Explanation on application of the practice</b>	:	<p>The remuneration breakdown of individual director for the financial year ended 31 March 2018 is as follows :-</p> <p><b>Group</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Directors</th> <th>Fees</th> <th>Salaries &amp; Bonus</th> <th>Other Emoluments</th> <th>Benefits in Kind</th> <th>Total</th> </tr> <tr> <th colspan="5">RM'000</th> </tr> </thead> <tbody> <tr> <td>Dato' Lim Soon Huat</td> <td>135</td> <td>815</td> <td>100</td> <td>15</td> <td>1065</td> </tr> <tr> <td>Lim Soon Wah</td> <td>40</td> <td>561</td> <td>69</td> <td>15</td> <td>685</td> </tr> <tr> <td>Ng Chin Nam</td> <td>36</td> <td></td> <td>3</td> <td></td> <td>39</td> </tr> <tr> <td>Nurjannah Binti Ali</td> <td>30</td> <td></td> <td>5</td> <td></td> <td>35</td> </tr> <tr> <td>Lam Voon Kean</td> <td>30</td> <td></td> <td>2</td> <td></td> <td>32</td> </tr> </tbody> </table> <p><b>Company</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Directors</th> <th>Fees</th> <th>Salaries &amp; Bonus</th> <th>Other Emoluments</th> <th>Benefits in Kind</th> <th>Total</th> </tr> <tr> <th colspan="5">RM'000</th> </tr> </thead> <tbody> <tr> <td>Dato' Lim Soon Huat</td> <td>120</td> <td>815</td> <td>100</td> <td>15</td> <td>1050</td> </tr> <tr> <td>Lim Soon Wah</td> <td>40</td> <td>561</td> <td>69</td> <td>15</td> <td>685</td> </tr> <tr> <td>Ng Chin Nam</td> <td>36</td> <td></td> <td>3</td> <td></td> <td>39</td> </tr> <tr> <td>Nurjannah Binti Ali</td> <td>30</td> <td></td> <td>5</td> <td></td> <td>35</td> </tr> <tr> <td>Lam Voon Kean</td> <td>30</td> <td></td> <td>2</td> <td></td> <td>32</td> </tr> </tbody> </table>					Directors	Fees	Salaries & Bonus	Other Emoluments	Benefits in Kind	Total	RM'000					Dato' Lim Soon Huat	135	815	100	15	1065	Lim Soon Wah	40	561	69	15	685	Ng Chin Nam	36		3		39	Nurjannah Binti Ali	30		5		35	Lam Voon Kean	30		2		32	Directors	Fees	Salaries & Bonus	Other Emoluments	Benefits in Kind	Total	RM'000					Dato' Lim Soon Huat	120	815	100	15	1050	Lim Soon Wah	40	561	69	15	685	Ng Chin Nam	36		3		39	Nurjannah Binti Ali	30		5		35	Lam Voon Kean	30		2		32
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**Intended Outcome**

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

**Practice 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>As two of the top five senior management are Executive Directors, their detailed remuneration on named basis have been disclosed.</p> <p>The Group is of the opinion that the disclosure of the remuneration package for the remaining three senior management will jeopardize the confidentiality of the salary information and retention of employees. The Group believes that the above non-disclosure will not in any way affect the interest of the shareholders.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	This is Not Adopted in view that the Company does not fall within the definition of "Large Companies".

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Board does not head the Audit Committee which is chaired by Mr Ng Chin Nam, an Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The policy has been incorporated into the Terms of Reference of the Audit Committee.</p> <p>None of the members of the Board were former key audit partners within the cooling off period of at least two years before being appointed as a member of the Audit Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>On 28 February 2018, the external auditor, Messrs. KPMG PLT was invited to present a summary of their audit plan which outline the engagement team, materiality, audit scope, methodology and focus area to the Audit Committee. Upon completion of the audit, the audit findings were shared with the Audit Committee on 31 May 2018.</p> <p>On both occasions, the Audit Committee enjoyed a private session with the external auditor without the presence of the Executive Directors and Management. The meetings with the auditors provide a direct communication and enable the members of the Committee to assess the suitability, objectivity and independence of the external auditor.</p> <p>None of the engagement team of KPMG is related to the Directors or Senior Management of the Group. In addition, KPMG has an internal policy of partner rotation to enhance the independency of the engagement team. During the meeting with the Audit Committee, the external auditor has also confirmed their independence though out the conduct of their audit engagement.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Adopted
<b>Explanation on application of the practice</b>		The current composition of Audit Committee consists solely of Independent Non-Executive 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Audit Committee, Mr Ng Chin Nam, is a member of the Chartered Institute of Management Accountants (CIMA) with more than 20 years of experience in the accounting related field. The remaining two members of the Committee also come from strong accounting and financial background. This will enable them to understand matters discussed during the AC meetings in particular on accounts related and financial reporting issues.</p> <p>As part of their continuous professional development, the Audit Committee members have attended various seminars and trainings as outlined in the Corporate Governance Overview Statement in the Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
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<b>Explanation on application of the practice</b>	:	<p>The Board assumes the overall responsibility for the Group's risk management and internal control system. Audit Committee will assist the Board in evaluating the adequacy of the effectiveness of the risk management and internal control framework adopted by the Group.</p> <p>Details of the Group's risk management and internal control are available under Statement on Risk Management and Internal Control in the Annual Report 2018.</p>
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<b>Explanation for departure</b>	:	
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*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:	
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<b>Timeframe</b>	:	
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**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The key elements of the risk management and internal control framework were disclosed in the Statement on Risk Management and Internal Control in the Annual Report 2018.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has its own Internal Audit Department ( "IAD") which employs four (4) full time employees. The detailed yearly audit plan for calendar year 2018 was reviewed and approved by the Audit Committee on 30 November 2017.</p> <p>A risk based approach is adopted in establishing the internal audit program where major risk areas will be identified. The audits are carried out based on the detailed audit procedures as stated on the audit program designed for each of the audit area based on the level of risks identified.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Department has four (4) full time employees and is headed by Ms Lim Hooi Cheng who has an in depth knowledge of the Group’s operation. She obtained her Master in Business Administration from University Utara Malaysia and is also a member of Malaysian Institute of Accountants.</p> <p>All employees in IAD are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The internal audit function is conducted on risk based approach.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group recognises the importance of keeping its shareholders informed of the development and performance of the Group. Material information are disseminated timely to the public via announcements made to Bursa and other means.</p> <p>The primary contact with the shareholders is via the Executive Chairman and Chief Financial Officer, who have regular dialogue with institutional investors and deliver presentations to analysts periodically.</p> <p>At the Annual General Meeting ("AGM") held each year, all Board members, Senior Management and external auditors are present to respond to questions raised by the shareholders. A media conference is also held after the AGM where the Chairman and Chief Financial Officer will brief the media representatives on the latest developments of the Group.</p> <p>The Group's website ( <a href="http://www.asia-file.com">www.asia-file.com</a>) also serves as an excellent platform of communication where shareholders could easily assess all corporate and financial information.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	This is Not Applicable to the Company in view that the Company does not fall within the definition of "Large Companies".	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Notice for the Annual General Meeting was issued to the shareholders on 31 July 2018 which is at least 28 days prior to the Annual General Meeting which will be held on 28 September 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All directors including the Chair of the various Board Committees are present in all Annual General Meetings and made themselves available to respond to questions raised by the shareholders attending the meetings.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Annual General Meetings are always been held in venue which is easily accessible.
		Shareholders who are unable to attend the meeting in person are allowed to appoint proxy to vote on his/her behalf.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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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