

Statement on Corporate Governance

The Board of Directors of Kurnia Asia Berhad ("KAB") is committed to ensure that the highest standard of corporate governance is practiced throughout the Group as a fundamental objective of protecting and enhancing the interest of all stakeholders.

The Board is pleased to report to shareholders the manner in which the Principles of corporate governance contained in the Malaysian Code on Corporate Governance ("Code") are applied and the extent of compliance thereof during the financial year under review.

A. BOARD OF DIRECTORS

Board Balance

The Board currently has six (6) members comprising an Executive Chairman, a Deputy Executive Chairman, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Board composition is in line with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main LR") that requires one-third (1/3) of the Board members to be Independent Directors to ensure independence of judgement.

The present size and composition of the Board is optimum and well balanced. As presently constituted, the Board has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

At the Company's level, the Executive Chairman is primarily responsible for the working of the Board and at Group level he is responsible to oversee the group's business and performance.

Decisions of the Board of Directors are based upon majority decisions and no single Board member can make decisions for and on behalf of the Board unless duly authorised by the Board of Directors. This is to ensure that no individual or small group of individuals can dominate the Board's decision making. The involvement and participation of Independent Non-Executive Directors further provide an element of independent judgement to bear on the issues of strategy, performance, resources and standards of conduct in the Board's decision making and deliberation. Furthermore, the three (3) Independent

Directors in effect represent minority shareholders' interests in the Company by virtue of their roles and responsibilities as Independent Directors.

Board Meetings

During the financial year under review from 1 January 2010 to 31 December 2010, the Board met on five (5) occasions where it deliberated upon and considered a variety of matters including Group's policy, corporate proposals, Group's financial results and strategic decisions and the business plans and directions of the Group.

Prior to each Board meeting, the Board members are given appropriate documentation in advance of each meeting. These documents include the agenda and reports covering the areas of corporate, financial and operational matters. The Board has full access to the senior management of the Group and the advice and services of the company secretary. In addition, the Directors, whether as a full board or in their individual capacity, in furtherance of their duties may seek independent professional advice at the Company's expense.

The attendance of the Directors at the Board meetings is set out in the Director's Profile, which appear on pages 16 to 18 of this Annual Report.

Appointment of Directors

The appointment of new directors is under the purview of the Nominating Committee comprised exclusively of non-executive directors, majority of whom are independent which is responsible for identifying and proposing new candidates for the Board and for assessing directors on an on-going basis. Any new appointment to the Board must be upon recommendation by the Nominating Committee after assessment is done with the consideration of mix skills, experiences and other qualities that the new candidate should bring to the Board. As a holding company of an insurance company, Bank Negara Malaysia's approval is sought after approval from the Board is obtained for any new appointment to the Board of the Company.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) or the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting. A retiring Director is eligible for re-appointment. Article 100 of the Company's Articles of Association provides that any new or additional Director appointed by the Board during the year shall hold office until the next Annual General Meeting and shall then be eligible for re-election. The election of each Director is voted on separately.

Directors' Training

The Directors have participated in and benefitted from conferences, seminars and training programmes on areas pertinent to the enhancement of their roles and responsibilities as Directors. During the financial year ended 31 December 2010, the Directors in office had attended the following conferences, seminars and training:

Members of the Board	Conferences, seminars and training
Tan Sri Dato' Paduka Kua Sian Kooi	– Corporate Social Responsibility for Malaysian Business
Datuk Kua Chung Sen	– Boardroom Agenda for PLC's Directors
Dato' Wira Othman bin Abdul	– 2010 Board Challenges
Dato' Quah Teong Moo	– Bank Negara Malaysia Financial Institutions Directors' Education (FIDE) Programme: Module 1 - 4
Leow Ming Fong @ Leow Min Fong	– The Challenges of Implementing FRS 139 – IFRS 9 & Updates on Accounting for Financial Instrument – 2010 18th World Congress of Accountants
Dato' Dr. Sharifuddin bin Abdul Wahab	– Bank Negara Malaysia Financial Institutions Directors Education (FIDE) Programme: Module 1 – 4 – Financial Industry Conference 2010 – Boardroom Agenda for PLC's Directors

Board Committees

In discharging its fiduciary duties, the Board has delegated certain responsibility to the following committees and each committee operates under their respective approved terms of reference.

a. Audit Committee

The Committee members are as follows:

Chairman	Leow Ming Fong @ Leow Min Fong Independent Non-Executive Director
Members	Dato' Wira Othman bin Abdul Independent Non-Executive Director
	Dato' Dr. Sharifuddin bin Abdul Wahab Independent Non-Executive Director <i>(appointed w.e.f 7 May 2010)</i>

Terms of reference of the Committee are disclosed in the Audit Committee Report which appear on pages 24 to 26 of this Annual Report.

Statement on Corporate Governance

b. Nominating Committee

The Committee appointed by the Board of Directors consists of not less than 2 members comprising exclusively of independent non-executive directors.

The Committee's members are as follows:

- Dato' Wira Othman bin Abdul (Chairman)
- Leow Ming Fong @ Leow Min Fong
- Dato' Dr. Sharifuddin bin Abdul Wahab

The primary functions of the Nominating Committee are as follows:

- To recommend the nomination of a person or persons for all directorships to be filled by the shareholders or the board;
- To consider, in making its recommendations, candidates for directorships proposed by the Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder;
- To recommend to the board, directors to fill the seats on board committees;
- To identify, evaluate and recommend candidates for appointment as Company Secretary;
- To assess annually the effectiveness of the board as a whole, the committees of the board and the contribution of each existing individual director and thereafter, recommend its findings to the board; and
- To review annually the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the board and thereafter, recommend its findings to the board.

c. Remuneration Committee

The Committee appointed by the Board of Directors consists of not less than two (2) members comprising mainly of non-executive directors.

The Committee's members are as follows:

- Dato' Wira Othman bin Abdul (Chairman)
- Datuk Kua Chung Sen
- Leow Ming Fong @ Leow Min Fong
- Dato' Dr. Sharifuddin bin Abdul Wahab

The Committee is responsible for recommending to the Board the remuneration packages of managing directors, executive directors and senior management of the Company in all its forms, drawing from outside advice as necessary. The remuneration packages of non-executive directors shall be determined by the Board of Directors as a whole.

The number of directors of the Company who served during the financial year ended 31 December 2010 whose remuneration falls into the following bands:-

Range of Remuneration	No. of Directors Non- Executive	Executive
RM10,000 – RM50,000	-	1
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	-	1
RM150,001 – RM400,000	-	-
RM400,001 – RM450,000	-	1
RM450,001 – RM500,000	-	-
RM550,001 – RM1,800,000	-	-
RM1,800,001 – RM1,850,000	1	-
RM1,850,001 – RM3,950,000	-	-
RM3,950,001 – RM4,000,000	1	-

Aggregate Remuneration of the Director of the Company receivable from the group for serving on the Board of the Company:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Directors Fee	-	219
Salaries and other emoluments	5,821	425

B. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS RELATION

The Board appreciates feedback from their valued shareholders and consistent with this, it is the intention of the Board that the shareholders are well informed of all major developments that have an impact on the Group.

Announcements of quarterly financial results, corporate proposals and other required announcements were released on time to ensure fast and efficient dissemination of information to the shareholders. The Company's website, www.kurnia.com provides a comprehensive avenue for up-to-date information dissemination, such as dedicated sections on corporate information including financial information, press releases and company news.

The Annual General Meeting is used as another forum to inform the shareholders of current developments with an opportunity for shareholders to seek clarifications and provide feedback and comments to the Directors and Management for consideration. Regular dialogue and presentation take place throughout the year with institutional investors.

C. ACCOUNTABILITY AND AUDIT

Financial Reporting

In submitting the annual audited financial statements, the Board is aware of its responsibilities and the requirement to present a balanced, clear as well as meaningful assessment of the Group's performance and future prospects. The Company's Financial Statements are prepared in accordance with the requirements of the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

In discharging its responsibilities, the Board is assisted by the Audit Committee in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements is set out on page 38 of this Annual Report.

Internal Control

The Board recognises that it is responsible for the Group's internal control systems and for reviewing its effectiveness. The Board also maintains a sound internal control system to safeguard the shareholders' investments and the Group's assets. The overview of the state of the Group's internal control is spelt out in the Statement on Internal Control set out on pages 27 to 28 of this Annual Report.

Relationship with the Auditors

The Board through the Audit Committee has an appropriate and transparent relationship with the external auditors and the external auditors are given access to books and records of the Group.

A summary of the activities of the Audit Committee during the year are set out under the Audit Committee Report on this Annual Report.

The amount of non-audit fees paid to the external auditors and its affiliated company during the financial year for tax services and review of RBC forms was RM22,717.

Compliance with the Code

The Board strives to ensure that the Company complies with the Principles and Best Practices of the Code. The Board will endeavour to improve and enhance the procedures from time to time. The Group has complied with the Best Practice of the Code.

D. BOARD COMMITTEES OF SUBSIDIARY COMPANY

As a measure of good corporate governance, Kurnia Insurans (Malaysia) Berhad, the subsidiary of the Company has formed the following committees:-

- Audit Committee
- Risk Management Committee
- Remuneration Committee
- Nominating Committee