

Statement on Corporate Governance

The Board of Directors (“the Board”) of Ikhmas Jaya Group Berhad (“Company”) is committed to a corporate culture that is based on the principles and best practices of corporate governance and is practised by the Company and its subsidiaries (“the Group”).

The Group will continue its endeavour to comply with all the key Principles and Best Practices of the Malaysian Code on Corporate Governance 2012 (“the Code”) in its effort to observe high standards of transparency, accountability and integrity. The Group believes that good corporate governance will help to realise long term shareholders’ value, whilst taking into account the interest of other stakeholders.

The following paragraphs describe how the Group has applied the Principles and Best Practices of the Code.

1 . PRINCIPLE 1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board, comprising members with diverse skills, experience and qualifications, recognises the clear distinction of the roles and responsibilities between the Board and the Management. The Board is responsible for the overall strategic direction and leadership of the Group, the adequacy and effectiveness of the Group’s risk management and internal control system, and compliance with the relevant laws and regulations.

To assist the Board in fulfilling its duties and responsibilities, the Board has established the Audit and Risk Management Committee and the Nomination and Remuneration Committee. Each committee is tasked with specific functions to operate within its terms of reference. The ultimate responsibility for decision making, however, lies with the Board.

The Management, on the other hand, is responsible for assisting the Board in implementing the strategies, policies and procedures adopted by the Board to achieve the Group’s objectives and in running the Group’s day-to-day business operations under the stewardship of the Group Managing Director.

1.2 Clear Roles and Responsibilities of the Board

The Board is guided by the Board Charter which outlines the roles and responsibilities of the Board in discharging its duties. The Board assumes, inter alia, the following responsibilities:-

- a. Reviewing and approving the overall strategic plans and direction of the Group.
- b. Ensuring that the statutory accounts of the Group are **truthful and** fairly stated and ~~otherwise~~ conform with the relevant regulations including acceptable accounting policies **approved financial reporting standards**. ~~that result in balanced and understandable financial statements.~~
- c. Reviewing and approving annual budgets, business expansion, restructuring plans, material acquisitions and disposals and issuance of new securities.
- d. Identifying principal risks and ensuring implementation of a proper risk management system.
- e. Reviewing the adequacy and the integrity of the management information and internal controls system of the Group.

1.3 Code of Conduct and Ethics for Directors

The Directors observe the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my.

The Board also has in place a Whistle Blowing Policy for employees to raise genuine concerns, without fear, about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse.

The Board has identified Mr Yuen Choong Lai as the Senior Independent Non-Executive Director to whom concerns may be conveyed. Mr Yuen can be contacted via the following ~~channel~~ **address**:-

c/o Ikhmas Jaya Group Berhad
No 35, 37 and 39, Jalan PJU 1A/41B,
Pusat Dagangan NZX, Ara Jaya
47301 Petaling Jaya, Selangor Darul Ehsan

1.4 Strategies to Promote Sustainability

The Board views the commitment to sustainability and Environmental, Social and Governance (“ESG”) performance as part of its broader responsibility to clients, shareholders, suppliers, employees, regulatory authorities and the communities in which it operates. The Business Sustainability Report in this Annual Report provides further details on how efforts on sustainability are taken by the Board and the Management.

1.5 Access to Information and Advice

Prior to Board meetings, an agenda together with the relevant documents and information are distributed to all Directors. The Senior Management and/or other relevant Board members will provide comprehensive explanation of pertinent issues and recommendations. The issues would then be deliberated and discussed thoroughly by the Board prior to decision-making.

Apart from the above, the Board members are supplied with information and reports on financial, operational, corporate, regulatory, business development and audit matters by way of board reports or upon specific request to enable them to discharge their duties and responsibilities in good faith with duty of care. All Directors are notified of the corporate announcements released to Bursa Malaysia Securities Berhad (“BMSB”) and any amendment to BMSB’s Main Market Listing Requirements (“Listing Requirements”). All Directors have access to the Management and Auditors for independent view and advice.

In furtherance of their duties, the Directors may seek independent professional advice if necessary, at the expense of the Company.

1.6 Company Secretary

The Company Secretaries, ~~Ms Cynthia Louis~~ and Ms Chew Mei Ling and Ms Tan Ai Peng are Associate member of the Malaysian Institute of Chartered Secretaries & Administrators (MAICSA).

The Company Secretaries whose appointment and removal is subject to the Board's approval, attend all Board and Board Committee meetings. The Board has direct access to the advice and services of the Company Secretaries who are responsible to the Board for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-

- Statutory duties as required under the Companies Act 2016, Main Market Listing Requirements of Bursa Securities and Capital Market and Services Act, 2007;
- Facilitating and attending Board Meetings and Board Committee Meetings;
- Maintaining records for the purpose of meeting statutory obligations;
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and
- Rendering advice and support to the Board and the Management.

1.7 Board Charter

The Company has established and adopted a Board Charter which serves as a reference point for Board activities. The Board Charter provides guidance for Directors and Management regarding the responsibilities of the Board and Board Committees, the requirements of Directors in carrying out their stewardship roles and in discharging their fiduciary duties towards the Company as well as boardroom activities. The Board Charter can be found on the Company's website at www.ikhmasjaya.com.

The Board will review the Board Charter as and when necessary to ensure it remains consistent with the Board's objectives and responsibilities, and all the relevant standards of corporate governance.

2. PRINCIPLE 2 STRENGTHEN THE COMPOSITION

Board Committees

The Board has delegated certain responsibilities to the Board Committees i.e. Audit and Risk Management Committee and Nomination and Remuneration Committee, who operate within the approved terms of reference. The Board Committees discuss the subject matter put forward, give recommendations and report to the Board for a final decision.

Audit and Risk Management Committee (“ARMC”)

The primary objective of the ARMC is to assist the Board in fulfilling its responsibility relating to accounting, risk management and reporting practices of the Group. The ARMC is accorded all resources required to perform its duties, has full and unrestricted access to any information pertaining to the Group, has direct communication channels with the external and internal Auditors and is entitled to obtain any external legal or other independent professional advice as necessary. The composition of the ARMC is as follows:-

- Mr Yuen Choong Lai (Chairman, Senior Independent Non-Executive Director)
- Dato' Syed Ariff Fadzillah bin Syed Awalluddin (Member, Independent Non-Executive Director)
- En Dzulkifli David bin Abdullah (Member, Independent Non-Executive Director)
- Ms Tan Ming-Li (Member, Independent Non-Executive Director)

2.1 Nomination and Remuneration Committee (“NRC”)

A NRC has been established by the Board and has no executive powers. The NRC comprises **exclusively** of ~~exclusively~~ Non-Executive Directors, all of whom are independent. The appointment of a committee member **is** automatically ~~terminates~~ **terminated** when ~~the member~~ **he/she** ceases to be a Director. The composition of the NRC is

as follows:-

- Dato' Syed Ariff Fadzillah bin Syed Awalluddin (Chairman, Independent Non-Executive Director)
- Mr Yuen Choong Lai (Member, Senior Independent Non-Executive Director)
- En Dzul kifli David bin Abdullah (Member, Independent Non-Executive Director)
- Ms Tan Ming-Li (Member, Independent Non-Executive Director)

The Board through the NRC shall periodically review its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board. The NRC meetings shall be convened at least once a year and they may invite other Board members, officers of the Company, employees and any other external parties to attend meetings or part thereof as and when necessary. Through its Chairman, the NRC reports to the Board on matters discussed at the next Board of Directors' Meeting ~~after each meeting~~. The Company Secretary is the Secretary to the NRC.

2.2 Develop, Maintain and Review the Criteria to be Used in the Recruitment Process and Annual Assessment of Directors

Appointment of New Directors

The Board does not set specific criteria for the assessment and selection of candidates for appointment as director. Consideration would be taken on the need to meet the regulatory requirements such as the Companies Act 2016 and the Listing Requirements, the experience, integrity, wisdom, independence of the candidate, ability to make analytical inquiries, ability to work as a team to support the Board, possession of the required skill, qualification and expertise that would add value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board.

The NRC is responsible to recommend candidates to the Board to fill vacancy arising from resignation, retirement or other reasons or if there is a need to appoint additional directors with the required skill or profession to the Board in order to close the competency gap in the Board identified by the NRC. The potential candidate may be proposed by existing directors, senior management, shareholders or third party referrals.

Upon receipt of the proposal, the NRC is responsible to conduct an assessment and evaluation on the proposed candidate.

The assessment/evaluation process may include among others, a review of the candidate's resume, curriculum vitae and qualification. The NRC would also assess the candidate's integrity, wisdom, independence, ability to make independent and analytical inquiries, ability to work as a team to support the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board.

Upon completion of the assessment and evaluation of the proposed candidate, the NRC would make its recommendation to the Board. Based on the recommendation of the NRC, the Board would evaluate and decide on the appointment of the proposed candidate.

Board and Board Committee's Evaluation

The Board evaluation comprised a Board and Board Committee's Assessment, Assessment by Individual Directors and Peer Assessments and Assessments of Independence of Independent **Non-Executive** Directors (the Assessments). There were no major concerns from the results of the Assessments.

The Board also undertook an evaluation on the Audit and Risk Management Committee and the assessment criteria include effectiveness and quality, external and internal audits and financial reporting. The Board was satisfied with the performance and effectiveness of the Audit and Risk Management Committee.

Re-election of Directors

In accordance with the provisions of the Articles of Association of the Company, at least one-third (1/3) of the Directors for the time being or if their number is not three (3) or multiples of three (3), then the number nearest to one-third (1/3) shall retire from office and shall be eligible for re-election at each Annual General Meeting ("AGM"). Consequently, each Director shall retire from office at least once in every three years but shall be eligible for re-election. Directors who are appointed to the Board during the year shall retire and seek re-election at the next AGM to be held following their appointments.

Diversity

The Board acknowledges the importance of diversity as an essential ~~measure~~ **virtue** of good corporate governance and an attribute of a well-functioning Board. Diversified views enhance Board discussions and ensure that the discussions made by the Board have been considered from all points of view. The Board acknowledges that diversity presents itself in a number of forms, including but not limited to gender, age, cultural **background**, educational background, ethnicity, ~~and~~ professional experience, skills and knowledge.

The Board takes appropriate measures to ensure that boardroom diversity is considered as part of its selection and recruitment exercise. However, the merits of the individual and the knowledge and expertise relevant to the Company will be the main criteria when considering the selection of new candidates to the Board.

Although the Company does not currently have a written policy on diversity pertaining to the selection of its Board members, the Board has always taken into account diversity as one of the selection criteria of Board appointees as it recognises that a diversified Board will provide effective and dynamic discussions at the Board level. Currently, we have one female director **with legal expertise** on our Board.

Summary of Activities

During the financial year under review, the NRC assessed the effectiveness of the Board Committees and contribution of each director, including the Directors who are subject to retirement at the forthcoming Annual General Meeting in accordance with the Articles of Association of the Company. The NRC also reviewed the Independence of the Independent **Non-Executive** Directors and reviewed ~~the~~ **their** remuneration package ~~of the Directors~~ before recommending

the same for the Board's approval for the same to be tabled at the Annual General Meeting for shareholders' approval, as the case may be.

2.3 Remuneration Policies and Procedures

The objectives of the Company's remuneration policy on Directors' remuneration is to attract, retain and motivate the Directors of the highest quality and to recognise and reward the high performing Directors for achieving the Company's business and corporate goals.

The NRC shall ensure that the levels of remuneration are ~~sufficient~~ **competitive in the market** to attract and retain Directors of the quality required to manage the business of the Group. The NRC is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by **each of** the Non-Executive Directors concerned.

Details of Directors' remuneration for the financial year ended 31 December 2017 are set out as below:-

	Group		Company	
	Executive Directors (RM)	Non-Executive Directors (RM)	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries and other emoluments	2,202,000	-	480,000	-
Fees	-	174,000	-	174,000
Benefits	265,740	40,000	58,359	40,000

The number of Directors whose total remuneration falls within the following bands for the financial year ended 31 December 2017 is as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive

RM50,001 to RM100,000	-	4
RM250,000 to RM300,000	1	-
RM601,000 to RM700,000	2	-
RM900,001 to RM950,000	1	-

3. PRINCIPLE 3 REINFORCE INDEPENDENCE

The Board consists of eight (8) members comprising the Chairman, who is an Independent Non-Executive Director, three (3) Independent Non-Executive Directors and four (4) Executive Directors.

The Board has complied with Paragraph 15.02 of the Listing Requirements which requires at least two directors or one-third of the Board, (whichever is the higher) to be Independent **Non-Executive** Directors. The presence of Independent **Non-Executive** Directors provides objectivity and independent judgment to decision making.

3.1 Assessment on Independence of Directors

In line with Principle 3 of the Code, the Board, with the assistance of the NRC, is required to review the independence of the Company's Independent Non-Executive Directors on an annual basis. The Board adopts the definition of an "Independent Non-Executive Director" as provided by the Listing Requirements, and such definition is used as criteria for Directors' independence assessment, which has been carried out at the date of this Statement.

None of the Independent Directors ~~disclosed~~ **had** any relationships and/or transactions that could materially interfere with their independent judgements and decisions.

The Board was **truly** satisfied with the level of independence demonstrated by all Independent Directors.

3.2 Tenure of Independent Non-Executive Director

The Code also recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years and, upon completion of the nine (9) years, an

independent director may continue to serve on the Board subject to the director's re-designation as non-independent director.

However, the retention of Independent Director after serving a cumulative term of nine (9) years is subject to shareholders' approval in line with the recommendation of the Code.

The Board is mindful that the limitation of terms of service may result in a loss to the Company by the exit of Board members who are making valuable and critical contributions and believes that the tenure of Independent Directors on the Board does not interfere with their objectives and independent judgement or their ability abilities to act in the best interest of the Company.

The Company does not have any Independent Non-Executive Director who has served more than nine (9) years as at the date of this Statement.

3.3 Separation of Position of the Chairman and Group Managing Director

The roles of the Chairman of the Board and the Group Managing Director are segregated. The Chairman is primarily responsible for the proper conduct and working of the Board whilst the Group Managing Director is responsible for the day-to-day running of the business and implementation of Board's policies and decisions. The Group Managing Director is assisted by the Executive Directors.

3.4 Board Composition and Balance

The Board consists of eight (8) members comprising the Chairman, who is an Independent Non-Executive Director, three (3) Independent Non-Executive Directors and four (4) Executive Directors.

The Board is of the view that the current composition of the Board is appropriate, where no individual shall dominate the Board's decision making. The profile of each of the members of the Board is set out in the Board of Directors' Profile of this Annual Report.

4. PRINCIPLE 4

FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company during the financial year ended 31 December 2017 2016. In compliance with the Listing Requirements, all the Directors do not hold directorships more than that prescribed under the Listing Requirements. There were five (5) Board of Directors' Meetings held during the financial year ended 31 December 2017 2016 and the details of the attendance of the Directors' Meetings are as follows:-

	Number of Board Meetings	
	Attended	Held
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	5	5
Dato' Ang Cheng Siong	5	5
Mr Siew Mun Lout	4	5
Dato' Ir. Dr. Khoo Ping Sen	5	5
Mr Ang Wei Zhen	5	5
Mr Yuen Choong Lai	5	5
En Dzulkifli David bin Abdullah	5	5
Ms Tan Ming-Li	5	5

4.2 Directors' Training

The Board acknowledges that continuous education is vital for its Board members to gain insight and maintain the Board members awareness of the economy, technological advances, latest regulatory developments and management strategies. The NRC assesses from time to time the training needs of the Directors and ensures the fulfilment of such training deemed appropriate. The Board members are also encouraged to attend training programmes and seminars to

keep abreast with developments in the industry as well as to enhance their professionalism and knowledge.

~~In August 2016, apart from Ms Tan Ming-Li, Encik Dzulkifli David bin Abdullah and Mr Ang Wei Zhen, the Directors attended a training on the key disclosure obligations of a Listed Company, overview on transactions and dealings in listed securities as required under the Main Market Listing Requirements of Bursa Securities. In addition to the above, some of the Directors have also attended trainings conducted through other companies under their directorship or required by their respective professional bodies. The trainings attended by Ms Tan Ming-Li are FIDE Forum's Directors Register Launching, FIDE Forum Fintech, FIDE Forum SC views and ICLIF – Independent Directors Programme: The Essence of Independence. The trainings attended by Encik Dzulkifli David bin Abdullah and Mr Ang Wei Zhen are Finance for Non-Financial Directors and Expectations on PLCs and Directors in Disclosure and Compliance Requirements under the Listing Requirements respectively.~~

5. PRINCIPLE 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting

The Board, through the Audit and Risk Management Committee (ARMC), endeavours to provide and present a balanced **view** and meaningful assessment of the Group's financial performance to its shareholders, primarily through the Annual Reports and quarterly announcements of the Group's results to ~~the regulators~~ **Bursa Malaysia Securities Berhad (BMSB)**. The Board is assisted by the ARMC in overseeing the Group's financial reporting process and the accuracy, consistency and appropriateness of the use and application of accounting policies ~~and standards~~.

On a yearly basis, the ARMC meets with the External Auditors to go through the Audit Planning Memorandum prior to commencement of audit. In addition, the ARMC also meets

with the External Auditors to discuss their report to the ARMC following completion of their audit. The External Auditors share with the ARMC any significant issues on the financial statements and regulatory updates. The ARMC obtains assurance from the External Auditors on the Company's compliance with the applicable **approved** financial reporting standards.

Directors' Responsibility Statement for the Annual Audited Financial Statements

The Directors are required by the Companies Act, ~~1965~~ **2016** to prepare financial statements for each financial year which have been made out in accordance with the applicable ~~approved accounting~~ **financial reporting** standards in Malaysia and the provisions of the Act, as to give a true and fair view of the state of affairs and the results and cash flows of the Company and the Group for the financial year **under review**.

In preparing the financial statements of the Group for the year ended 31 December ~~2016~~ **2017**, the Directors have adopted appropriate accounting policies and applied them consistently, made prudent and reasonable judgments and estimates and ensured the applicable ~~accounting~~ **financial reporting** standards in Malaysia and the provisions of the Companies Act, ~~1965~~ **2016** have been followed. The financial statements have been prepared on a going concern basis.

The Directors acknowledge and are responsible for ensuring that proper accounting records are kept to reflect the reasonable accuracy of the financial position of the Company and the Group and to ensure the financial statements comply with all relevant rules and regulations.

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

5.2 Assessment of Suitability and Independence of External Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors. During the year, the ARMC considered the independence and objectivity of Messrs KPMG PLT based on the ~~criteria on~~ quality of services, sufficiency of resources, communication and interaction, audit planning, ~~and~~ independence and objectivity.

The ARMC noted that for FY~~2016~~ 2017, Messrs KPMG PLT, the external auditors confirmed that the engagement partner, engagement quality control reviewer and members of the audit engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

6. PRINCIPLE 6 RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Board has an overall responsibility in maintaining a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal procedures and guidelines. The Statement on Risk Management and Internal Control is set out on page 49 of the Annual Report.

6.2 Internal Audit Function

The Group has outsourced its internal audit function to a professional service firm which is independent of the activities and operations of the Group. The outsourced internal auditors report directly to the Audit and Risk Management Committee. Details on the internal audit function are set out in the Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control of this Annual Report.

7. PRINCIPLE 7

TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Group acknowledges the importance of timely dissemination of material information to the shareholders, investors and public at large. The Board has adopted a Corporate Disclosure Policy and Procedure for the Group which sets out, among others, the scope and extent of disclosure by the various parties within the organisations, timeliness of disclosure as well as assessment of the materiality and if it is reasonably expected to have a material effect on the price, value or market activity of any of the Company's securities; or the decision of a member of the Company or an investor in determining his choice of action.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's corporate website provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company and annual reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders have equal access to such information.

8. PRINCIPLE 8 RELATIONSHIP BETWEEN THE COMPANY AND THE SHAREHOLDERS

8.1 Shareholders' Participation at General Meetings

Notice of the forthcoming AGM together with this Annual Report will be sent out to the shareholders at least 21 days before the date of the meeting to provide the shareholders with sufficient time to prepare for the meeting and to make informed decisions at the meeting.

The Company will allocate time during the AGM for a Question and Answer session whereby the Chairman together with the other Board members will be present to answer any questions that the shareholders may have on the Group and its operations.

8.2 Poll Voting

In line with the recent amendments to the Main Market Listing

Requirements, the Company will implement poll voting for all the resolutions set out in the Notice of AGM and EGM.

8.3 Effective Communication and Proactive Engagements with Shareholders

Recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensuring that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following:-

- (i) The Annual Report;
- (ii) The various disclosures and announcements made to BMSB including the Quarterly Results and Annual Results;
- (iii) Briefings to the Company's key investors or other investment community in order to provide them a better understanding of the Group's operations and explanation to any concern highlighted; and
- (iv) The website at www.ikhmasjaya.com which shareholders as well as members of the public are invited to access for the latest information on the Group.

The Company's AGM serves as a principal forum for dialogue with shareholders. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Extraordinary General Meetings are held as and when required.

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF THE CODE

Pursuant to Paragraph 15.25 of the Listing Requirements, the Board is satisfied that the Company has complied with the Code during the financial year with regard to the recommendations supporting the Principles except as otherwise stated.

This statement is made at the Board of Directors' Meeting held on 13 April 2018 ~~2017~~.