

# Corporate Governance Statement

The Board of Ideal Jacobs (Malaysia) Corporation Bhd is dedicated to ensuring that good corporate governance practices are applied throughout the Group in order to safeguard stakeholders' interest as well as for enhancing shareholders' value.

## ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### *Clear functions of the Board and Management*

The Board has the overall responsibility to protect and enhance shareholders' value. The Board is explicitly responsible, amongst others, for establishing and communicating the strategic plan and overseeing the proper conduct of the Group's businesses, and for supervising its affairs to ensure its success within a framework of acceptable risks and effective control and in compliance with relevant laws, regulations, guidelines and directives in the countries which it operates in. The Board reviews management performances and ensures that the necessary financial and human resources are available to meet the Group's objectives. The Board is also responsible for succession planning, including appointing and fixing the remuneration of, and where appropriate, to train and groom the senior management and staff.

The Board delegates the responsibility and day to day operation of the Company to Management. The Board has also delegated certain responsibilities to the Board Committees which operate within defined terms of reference approved by the Board to assist the Board in discharging its fiduciary duties and responsibilities. The Board Committees include the Audit Committee, Nomination Committee and Remuneration Committee. The Board Committees exercise transparency and full disclosure in their proceedings. Where necessary, issues deliberated by the Board Committees are presented to the Board with appropriate recommendations. The ultimate responsibility for the final decision on all matters however, lies with the Board.

### *Clear roles and responsibilities*

The Board consists of eight (8) members comprising one (1) Executive Chairman, two (2) Executive Directors and five (5) Independent Non-Executive Directors. The profile of each Director is presented on pages 4 to 7 of this Annual Report. The composition of Independent Non-Executive Directors is in compliance with the minimum prescribed by the Malaysian Code on Corporate Governance 2012 ("the Code") and Listing Requirements.

There is a clear division of responsibility between the Executive Chairman and the Chief Executive Officer / Managing Director ("CEO/ MD") so as to ensure that there is a balance of power and authority. The Board is led by Mr. Andrew Conrad Jacobs who is the Executive Chairman, whilst the executive management of the Company is helmed by Mr. Meng Bin, the CEO/ MD. The Chairman is primarily responsible for ensuring Board effectiveness whilst the CEO/ MD is responsible for business plan and growth, operations and efficient management.

The Board has not appointed a Senior Independent Non-Executive Director. The Board is of the view that there is no such necessity for the time being because all members of the Board actively participate during Board meetings and the Board has unrestricted and timely access to the management as well as any information that the Board requires in discharging their duties and responsibilities. The management and staff can access and reach the Independent Directors anytime. Any concern from stakeholders or employees can be conveyed to any Board members.

The Board is satisfied that the current Board composition fairly reflects the interest of all shareholders.

The Board assumes the following key responsibilities:

- Reviewing and adopting the Company's strategic plans
- Overseeing the conduct of the Company's business
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures
- Succession planning
- Overseeing the development and implementation of a shareholder communications policy for the Company
- Reviewing the adequacy and the integrity of the management information and internal controls system of the Company.

The Group is led by an effective Board which comprises members with skills from a diverse blend of professional backgrounds ranging from business, legal, finance and accounting experience. The Board views its current composition encompasses a balance mix of skills and strength in qualities which are relevant to enable the Board to discharge its responsibilities in an effective and competent manner.

### ***Directors' Code of Ethics***

The Board of Directors has conducted themselves in an ethical manner while executing their duties and functions, and complied with the Company Directors' Code of Ethics recommended by the Companies Commission of Malaysia.

### ***Strategies promoting sustainability***

The Board of Directors regularly review the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition.

### ***Access to information and advice***

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs so as to enable them to discharge their responsibilities. Prior to the Board meetings, the Directors are provided with the agenda together with the Board papers on issues to be discussed. A record of the Board's deliberation of issues discussed and conclusion reached are recorded in the minutes of the meeting by the company secretary.

The Board, whether as a full Board or in their individual capacity, has the right to engage independent professional advice, if necessary, at the Group's expense. In addition, all Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board meeting procedures and applicable rules and regulations are adhered to.

### ***Qualified and competent Company Secretary***

The Directors have the unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary on new regulatory requirements and directives from time to time.

### ***Board Charter***

The Board has formalised and made its Board Charter in the website of the Company. The Board Charter sets out the Board roles and responsibilities.

## **STRENGTHEN COMPOSITION**

### ***Nomination Committee***

The Nomination Committee ("NC") is responsible for identifying and recommending new nominees to our Board as well as committees of the Board. For new appointments to the Board, the NC shall consider diversity of skills, expertise, background and experience in evaluating the appointment of Directors. Currently, the Company does not have a policy on boardroom diversity but believes in providing equal opportunity to all candidates based on merit.

In addition, the Nomination Committee assesses the effectiveness of the Board as a whole and the Board Committees, and also the contribution of each Director. The Board, through the Nomination Committee, reviews periodically its required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented.

The Committee is satisfied with the current size of the Board and with the mix of qualifications, skills and experience among the Board members.

The members of the Nomination Committee whom are Independent Non-Executive Directors are as follows:-

	<b>Position</b>
Koong Lin Loong	Chairman
Hing Kim Tat	Member
Tan Kean Huat	Member

During the financial year 2015, one (1) Director has resigned from his position of Independent Non-Executive Director.

The Committee met one time during the financial year.

### **Remuneration Committee**

The Remuneration Committee ("RC") reviews and proposes, subject to the approval of our Board the remuneration policy and term and conditions of service of each Director for his services as member of the Board as well as Committees of the Board. Nevertheless, the remuneration of Non-Executive Directors is a matter for the Board decision as a whole. Relevant directors are required to abstain from deliberation and voting decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group. Decisions and recommendations by RC shall be reported to our Board for approval.

The members of the Remuneration Committee comprise of all Independent Non-Executive Directors as follows:-

	<b>Position</b>
Tan Kean Huat	Chairman
Hing Kim Tat	Member
Koong Lin Loong	Member

The Committee met one time during the financial year, attended by all its members.

### **Remuneration policy and procedures**

The Directors' remuneration package is linked to the experience, scope of duty and responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary and bonus whereby the Non-Executive Directors receive fixed director fees. Details of the Directors' remuneration in aggregate for financial year ended 2015 are tabulated as below:

	<b>Salaries, Bonuses &amp; other emoluments (RM)</b>	<b>Benefits- in-kind (RM)</b>	<b>Fees (RM)</b>
Executive Directors	1,812,325	-	97,103
Non-Executive Directors	-	-	90,000

The number of Directors whose remuneration falls within the following bands is tabulated as below:

<b>Remuneration bands per annum</b>	<b>Executive Director</b>	<b>Non-Executive Director</b>
Below RM50,000	-	6
RM50,001 to RM100,000	1	
RM 350,001 to RM 400,000	1	
RM 1,450,001 to RM 1,500,000	1	

The Remuneration Committee reviews and recommends the Executive Directors' remuneration package by assessing their KPI and also refers to market of similar industry and its size as a benchmark. An appropriate remuneration package is designed to retain and attract calibre directors to discharge their duty with integrity, to grow and lead the Company.

## REINFORCE INDEPENDENCE

The Independent Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group.

The Board reviews the independence of its Independent Directors annually. All the Independent Directors confirm that the appointment is in compliance with the ACE Market Listing Requirements.

None of the Independent Non-Executive Directors had served the Company for more than 9 years.

The Company aims to ensure a balance of power and authority between the Executive Chairman and the CEO/ MD with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of Executive Chairman and CEO/ MD are separated and clearly defined.

## FOSTER COMMITMENT

### Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors. During the financial year ended 2015, the Board met 4 times to deliberate on a variety of matters of the Company. Additional meetings may be convened on an ad-hoc basis when urgent and important decisions are required to be made in between scheduled meeting. The attendance record of each director is as follows:

Name and Designation	Attendance
Andrew Conrad Jacobs Executive Chairman	4 of 4
Meng Bin CEO/ MD	4 of 4
Chen Shien Yee Executive Director	4 of 4
Koong Lin Loong Independent Non-Executive Director	2 of 4
Hing Kim Tat Independent Non-Executive Director	4 of 4
Tan Kean Huat Independent Non-Executive Director	2 of 4
Rizvi bin Abd Halim Independent Non-Executive Director	4 of 4
Eugene Lee Cheng Hoe Independent Non-Executive Director (resigned w.e.f 28/10/2015)	3 of 3
Leow Chan Kiang Independent Non-Executive Director (appointed on 28/10/2015 and resigned on 23 February 2016)	1 of 1

The agenda for each Board meeting and papers relating to the agenda items are circulated to all Directors at least 5 days before the meeting so as to provide sufficient time for the Directors to review the Board papers and seek clarification, if any.

**Directors' training**

All the directors have completed the Mandatory Accreditation Programme within the stipulated timeframe required in the Listing Requirements.

The training programmes and seminars attended by the Directors during the financial year are:

<b>Name</b>	<b>Training Course</b>	<b>Date</b>
Andrew Conrad Jacobs	NYSE Governance Services Board Committee Peer Exchange	12 October 2015
Koong Lin Loong	National GST Conference 2015	20 January 2015
	National Tax Conference 2015	25 August 2015 & 26 August 2015
	2016 Budget Seminar	5 November 2015
	2016 Budget Seminar	1 December 2015
Rizvi bin Abd Halim	Building Information Modeling Kepada Kontraktor	11 June 2015
	Ensuring Climate Resilience of Buildings and Infrastructure – Towards Sustainable Infrastructure	7 April 2015
Lai Kian Huat	Mandatory Accreditation Programme for Directors of Public Listed Companies	7 October 2015 & 8 October 2015
	Dialogue Session with Public Listed Companies: “Opportunities for Public Listed Companies in Shariah-compliant Landscape”	30 November 2015
Meng Bin	–	N/A
Chen Shien Yee	–	N/A
Hing Kim Tat	–	N/A
Tan Kean Huat	–	N/A

The Directors are aware of their obligation and will continue to attend suitable training to equip and enhance themselves with the knowledge to facilitate themselves in discharging their duties and responsibilities diligently with integrity.

**Re-election**

Under Article 90 of the Company's Articles of Association, the Directors appointed during the year shall retire at the Annual General Meeting (“AGM”) and be eligible for re-election. According to Article 83 of the Company's Article of Association of the Company one-third of the Board members shall retire from office at the AGM. Further, all the Directors are required to retire from office at least once in every three (3) years. However, the retiring Directors are eligible for re-election at the meeting at which they retire.

## UPHOLD INTERGRITY IN FINANCIAL REPORTING

### *Financial Reporting*

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities timely. All financial statements are reviewed by the Audit Committee and approved by the Board of Directors to ensure accuracy, adequacy and completeness of information prior to release to regulatory authorities.

The Directors are responsible for ensuring that the annual financial statements of the Group and the Company are prepared with reasonable accuracy from accounting records of the Group and the Company so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015, and of the results of their operations and cash flows for the year ended on that date.

In preparing the annual audited financial statements the Directors have:-

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to detect or prevent fraud and other irregularities.

### *Assessment of Suitability and Independence of External Auditors*

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the external auditors. The Audit Committee has been explicitly accorded with access to communicate directly with both the internal and external auditors, and the details of such communications are minuted.

## RECOGNISE AND MANAGE RISKS

### *Sound framework to manage risks*

#### *Internal Audit Function*

The Board has overall responsibility for maintaining a sound system of internal control and risk management that provide a reasonable assurance of effective and efficient operations, and compliance with the relevant laws and regulations as well as with internal procedures and guidelines. The Statement on Risk Management and Internal Control as included on page 21 of this Annual Report provides the overview of the internal control framework adopted by the Company for the current financial year.

## ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### *Leverage on information technology for effective dissemination of information*

The Company's website (<http://www.idealjacobs.com.my/>) provides meaningful information to the stakeholders such as the Board Charter. The Investor Relations section includes share price information, all announcement made to Bursa Malaysia Securities Berhad as well as the latest Annual Report of the Company.

### **STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

The Company values dialogues with the investors and is constantly striving to improve the communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major development of the Company. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's web site. (<http://www.idealjacobs.com.my/>).

The AGM is the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining issues in the financial performance and business plan. The Board takes the opportunity to present a comprehensive review of the progress and performance of the Company, and provides answers to the questions raised by the shareholders during the meeting.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS**

The Directors are required by the Companies Act, 1965 (the "Act") to prepare financial statements for each financial year which gives a true and fair view of the financial position of the Group and of the Company at the end of the financial year and cash flows of the Group and of the Company for the financial year.

The Directors are of the opinion that the Group uses the appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that the financial statements have been prepared in accordance with Financial Reporting Standards in Malaysia, the provisions of the Act and the Bursa Malaysia Securities' Berhad ACE Market Listing Requirements.

The Directors are satisfied that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable proper financial statements to be prepared. They have also taken necessary steps to ensure that appropriate systems are in place to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities. The systems, by their nature can only provide reasonable and not absolute assurance against material misstatements, loss and fraud.