

Corporate Governance Statement

During the financial year under review, the Board of Directors (“Board”) of LBS Bina Group Berhad (“LBGB” or “Company”) continued its commitment to maintain high standards of corporate governance by supporting and applying the principles and best practices of The Malaysian Code on Corporate Governance (Revised 2007) (“Code”) with the objective of strengthening the growth, corporate accountability and safeguarding the interests of the shareholders.

The Board is pleased to report the Company’s application of the underlying principles set out in the Code and the extent to which the Company has complied with the Code and pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) throughout the financial year ended 31 December 2010 (“FY 2010”).

(A) BOARD OF DIRECTORS

Board Responsibilities

The Board has the overall responsibility in leading and determining the strategic direction of the Company and its subsidiaries (“Group”). It provides an effective oversight of the conduct of the Group’s businesses, ensuring appropriate control system is in place as well as regularly reviewing such system to ensure its adequacy and integrity. The clear roles’ distinction has achieved a balance of power and authority, such that no one individual has unfettered powers of decisions.

Role of Chairman and Managing Director

The division of responsibilities is clearly defined between the Chairman and Managing Director. The Chairman of the Board is primarily responsible for ensuring Board effectiveness and conduct whilst Managing Director has the overall responsibilities of managing the operation and performance of the Group, implementation policies, execution decision-making and communicating matters to the Board. The Chairman has never held any executive position in the Group.

Composition of the Board

The Board currently having thirteen (13) members comprising six (6) Independent Non-Executive Directors (including a Vice Chairman), six (6) Executive Directors (including a Managing Director) led by Dato’ Seri Lim Bock Seng as the Chairman and Non-Independent Non-Executive Director of the Group. A brief profile of each director is presented on page 42 to 48 of this Annual Report.

The Independent Non-Executive Directors play an important role to ensure the views provided are professional and independent and that the advice and judgement made to issues and decisions are to the best interest of the stakeholders and the Group.

Corporate Governance Statement

(A) BOARD OF DIRECTORS (Cont'd)

Composition of the Board (Cont'd)

The present composition of the Board is in compliance with Paragraph 15.02(1) of the Listing Requirements of Bursa Securities where more than 1/3 of the board of directors of the Company are independent directors. The Board continuously reviews its size and composition with particular consideration on its impact on the effective function of the Board. The effective Board with broad knowledge and experience in their respective fields would bring an added advantage to the Group as a whole and a diversity of expertise to the Group's business operations.

Board Meetings

A pre-scheduled annual calendar of the Board meetings dates is circulated to all the Board members at the beginning of each year to facilitate the directors to plan ahead. Board meetings are usually held a minimum of five (5) times in a year. Unscheduled meetings may be held when there are important and urgent decisions to be made, which cannot be held in abeyance until the next board meeting.

During the FY 2010, a total of six (6) Board meetings were held. The attendance of each director at the Board meetings is tabulated as below:

Directors	Attendance
Dato' Seri Lim Bock Seng	4/6
Dato' Kamaruddin bin Abdul Ghani	5/6
Dato' Lim Hock San	6/6
Datuk Lim Hock Guan	5/6
Dato' Lim Hock Sing	5/6
Datuk Lim Hock Seong	6/6
Lim Mooi Pang	5/6
Chia Lok Yuen	6/6
Tan Sri Dato' Seri (Dr) Haji Abu Hassan bin Haji Omar	6/6
Dato' Wong Woon Yow	6/6
Maj Jen (B) Dato' Mohamed Isa bin Che Kak	5/6
Mohd Fazil bin Shafie	5/6
Kong Sau Kian	6/6

Supply of Information

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs to enable the Board to discharge its responsibilities effectively. Notice of meetings, minutes of meetings, quarterly financial reports, annual financial statements, follow-up reports and other supporting documents in relation to the issues of the meetings are distributed to the Board members prior to the meeting date.

(A) BOARD OF DIRECTORS (Cont'd)

Supply of Information (Cont'd)

During the Board meetings, the Independent Non-Executive Directors are also briefed on business outlook, major acquisition and disposal of assets/investments and updates from business development including overseas operations. All directors are invited to deliberate and discuss on any issues as they deem fit. All the proceedings held and decisions made in the Board meetings are properly recorded and minutes of meetings are kept forming part of the statutory record of the Company upon adoption by the Board. Senior Management staff would be invited to attend the Board meetings as and when necessary to bring insight to the subject matter concerned with their respective department and to answer the relevant questions raised by the Board with cross reference to the agenda tabled at the Board's meetings.

All directors have full and unrestricted access to the advice and services of the Senior Management, Company Secretaries, Internal Auditors and External Auditors. The Company Secretaries who attend each Board meetings play an important role to ensure that Board procedures are adhered to at all times during meetings and advice the Board on matters including corporate governance requirements and the directors' responsibilities in complying with relevant legislation and regulations. The Board is updated with new regulatory, regulations or requirements concerning their duties and responsibilities. In addition, the Board may seek any independent professional advice at the expense of the Company if required in furtherance of their board duties.

Where a potential conflict of interest may arise, it is mandatory practice for the director concerned to declare his interest and abstain from the decision making process.

Board Committees

The Board has also established its committees comprising Audit Committee, Nomination and Remuneration Committee, Employee Share Option Scheme ("ESOS") Committee and Risk Management Committee (collectively referred to as "Committees") to assist the Board in execution of its responsibilities. All Committees operate within their respective clearly defined terms of reference and operating procedures, and the Board receives reports of their proceedings and deliberations with their recommendations. The ultimate responsibility for decision making lies with the Board.

a) Audit Committee

Please refer to the Audit Committee Report which forms part of this Annual Report for further details.

b) ESOS Committee

The ESOS Committee is entrusted with the tasks of administer and implement the ESOS in accordance with the Bye-Laws of ESOS and in such manner it shall deem fit with the powers and authority conferred upon it by the Board and exercise any discretion under the Bye-Laws with regards to the eligibility of employees to participate in the ESOS, share offers and share allocations and to attend to such other matters as may be required in carrying out the ESOS. There were two (2) ESOS meetings held during the FY 2010.

Corporate Governance Statement

(A) BOARD OF DIRECTORS (Cont'd)

Board Committees (Cont'd)

c) Nomination and Remuneration Committee (“NRC”)

The NRC consists of a majority of Independent Non-Executive Directors. During the FY 2010, the NRC has assessed the effectiveness of the Board as a whole and the Board Committees. The assessment parameters included board structure, operations, roles and responsibilities, Chairman’s roles and responsibilities and the effectiveness of the Board in its monitoring role.

Through Evaluation Panel (“Panel”) comprising Chairman of Board meeting, Chairman of NRC and Chairman of Audit Committee, the Board has assessed each director’s contribution to the effectiveness of the Board. The Panel conducts the assessment through the completion of assessment questionnaires. The assessment parameters include attendance record, contribution to interaction, quality of input and understand of roles.

The NRC also reviews remuneration package comprising salaries, bonuses, benefits-in-kind and allowances of Executive Directors and Senior Management staff annually to ensure that the remuneration packages are fair and reasonable. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole.

d) Risk Management Committee (“RMC”)

The RMC was established to oversee the implementation of the risk management system and to ensure that the risk management process is in place and functioning effectively.

Appointment and Re-election of Directors

Appointments to the Board are made based on the recommendation of the NRC.

In accordance with the Company’s Articles of Association, one third (1/3) of the Board, including the Managing Director, shall retire from office at least once in every three (3) years. These retiring directors shall be eligible for re-election. The Articles of Association also provide that a director appointed by the Board during the year shall also be subjected to re-election at the forthcoming Annual General Meeting (“AGM”) subsequent to his appointment. Directors who have attained or over the age of seventy (70) years are mandatory to retire annually and may offer themselves for re-election at the forthcoming AGM pursuant to Section 129(6) of the Companies Act, 1965. The names and details of the directors seeking for re-election are disclosed in the Notice of Annual General Meeting and the Profile of Directors respectively in this Annual Report.

(A) BOARD OF DIRECTORS (Cont'd)

Directors' Remuneration

The NRC reviews the remuneration package and other benefits-in-kind applicable to all Executive Directors and Senior Management staff with individual directors abstaining from decisions in respect of their individual remuneration. The NRC is responsible for ensuring that the level of remuneration is sufficient to attract and retain its Executive Directors and Senior Management staff needed to manage the Company successfully.

The remuneration of the directors for the FY 2010 is set out below:

- i) The aggregate directors' remuneration received/receivable from the Company and subsidiary companies during FY 2010 are as follow:

Category	Fees RM	Salaries RM	Bonuses RM	Allowances RM	Benefits- In-Kind RM	Total RM
Executive Directors	84,000	3,251,277	748,950	-	625,107	4,709,334
Non-Executive Directors	216,000	-	-	429,400	42,900	688,300

- ii) The number of directors whose remuneration falls in each successive band of RM50,000 are as follows:

Range of Remuneration RM	No. of Directors	
	Executive	Non-Executive
Less than 50,000		6
400,000 – 450,000		1
450,001 – 500,000	1	
500,001 – 550,000	1	
800,000 – 850,000	1	
850,001 – 900,000	1	
1,100,000 – 1,150,000	1	
1,300,000 – 1,350,000	1	
	6	7

Corporate Governance Statement

(A) BOARD OF DIRECTORS (Cont'd)

Directors' Training

All directors have completed the Mandatory Accreditation Programme as prescribed by the Listing Requirements of Bursa Securities and all of them have attended in-house training seminar entitled "FRS 139 Financial Instruments : Recognition and Measurement".

In addition to the above, Dato' Kamaruddin bin Abdul Ghani (*Vice Chairman, Independent Non-Executive Director*), Chia Lok Yuen (*Executive Director*) and Lim Mooi Pang (*Executive Director*) have also attended "Sustainability Programme for Corporate Malaysia" organized by Bursa Securities recently.

The Company will continuously arrange for further trainings for the directors as part of the directors' obligation to update and enhance their skill and knowledge which are important to them in carrying out an effective role as directors.

(B) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board acknowledges the importance of maintaining accountability and transparency to its shareholders through proper communication with its shareholders. Shareholders and investors are kept informed of the Company's business development via annual reports, quarterly financial reports, circular to shareholders, press releases, various disclosures and announcements to Bursa Securities providing the shareholders and investing public with an overview of the Group's performance and operations.

The Board regards the AGM as an opportunity to communicate directly with shareholders. Shareholders are encouraged to attend the Company's AGM as it is not only creates a platform of interaction between the directors and shareholders but also allowing the directors to share with the shareholders of the Company's strategy, operations, performance and major developments. Shareholders are given opportunity to participate in the question and answer session during the AGM on the proposed resolutions and the Group's operations.

Shareholders and investors are encouraged at all times to log on to the Group's official website at www.lbs.com.my to gain further information on corporate, financial and new launches of the Group. The public is welcomed to submit online enquiries for further information.

The Vice Chairman of the Board, Dato' Kamaruddin bin Abdul Ghani, is the designated Senior Independent Non-Executive Director, to whom concerns pertaining to the Group may be conveyed.

(C) ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the quarterly and annual financial statements to shareholders and investors, the Board aims to present a clear, balanced and understandable assessment of the Group's position and prospect. The quarterly and financial statements are presented to the Audit Committee for its review and recommendation and collectively approved by the Board. The Board is committed to ensure integrity and consistency of the financial reporting.

Statement of Directors' Responsibility in respect of the Financial Statements

The directors are responsible to ensure the Company's financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs, the results and cash flow of the Group and of the Company during FY 2010. The Board is also responsible for ensuring that the financial results released to Bursa Securities within the stipulated time frame.

In preparing the financial statements, the directors have ensured compliance with the applicable approved accounting standards and applied consistently and made judgements and estimates that are reasonable and prudent. The directors have also confirmed that the financial statements have been prepared on a going concern basis.

The directors are responsible in ensuring the Group and the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards. It is the Board's general responsibility for taking such step to safeguard the assets of the Group and to detect and prevent any fraud and other irregularities to occur.

Internal Control

The Board has established its in-house Internal Audit function. The Head of Internal Audit Department ("IAD") reports directly to the Audit Committee on audit matters and to the Managing Director on administrative matters. The Group's IAD provides independent and objective reports on the Group's management, operational, accounting policies and controls to the Audit Committee and also ensures that recommendations to improve controls are followed through by Management at the same time.

IAD is responsible to conduct review on the systems of internal control; report the state of the systems of internal control and provide recommendations for improvement. All internal audit reports were tabled and reviewed by the Audit Committee during Audit Committee Meetings. Follow-up reviews would subsequently be performed to ascertain the extent of implementation of the recommended corrective actions for improvement.

Corporate Governance Statement

(C) ACCOUNTABILITY AND AUDIT (Cont'd)

Internal Control (Cont'd)

Besides performing regular operational and compliance audit, the Internal Auditors may conduct investigation and any ad-hoc review upon the requisition from the Audit Committee or the Management.

The information on the Group's internal control is presented in the Statement of Internal Control forming part of this Annual Report.

Relationship with External Auditors

The Company has always maintained a formal and transparent relationship with its external auditors in seeking their professional advice and ensuring compliance with approved accounting standards.

A full Audit Committee Report enumerating its role in relation to the external auditors is set out from pages 58 to 62 of this Annual Report.

(D) ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Bursa Securities' Listing Requirements, the following information is provided:

Share Buy Backs

During the financial year, there were no Share Buy Backs from the Company.

Options and Warrants

No options were exercised during the FY 2010. Main features of the ESOS are stated in the Report of Directors on page 69. There were no warrants exercised during the financial year. Please refer to Note 23 of the Financial Statements on page 126 of this Annual Report for salient features of the warrants.

American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR or GDR Programme.

Imposition of Sanctions / Penalties

Penalties of RM1,485,822 have been imposed on the Company and its subsidiaries by the Inland Revenue Board during the FY 2010.

(D) ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Non-Audit Fees

During the financial year, an amount of RM20,035 has been billed by Messrs UHY being fees for the professional services rendered in connection with review of Statement of Internal Control, review of quarterly results and Housing Development Accounts audit.

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during FY 2010.

Profit Estimate, Forecast and Projection

There is no material variance between the results of the financial year and the unaudited results previously announced.

Profit Guarantee

No profit guarantee was given during the financial year.

Material Contracts

There was no material contract (not being contracts entered into the ordinary course of business) entered into by the Company or its subsidiary companies involving directors' or major shareholders' interests, either subsisting at the end of the financial year ended 31 December 2010 or entered into since the end of the previous financial year.

Revaluation of Landed Properties

When LBGB acquired LBS Bina Holdings Sdn Bhd on 6 December 2001, certain development projects have been revalued by Messrs Colliers, Jordan Lee & Jaafar Sdn Bhd, and the open market value approved by the Securities Commission has been taken into account at Group level.

On 2 May 2008, Dragon Hill Corporation Limited exercised its right under the Option Agreement dated 8 April 2004, to acquire the entire equity interest in Lamdeal Golf & Country Club Limited for a consideration of USD1.00. Asset Appraisal Limited has revalued the Golf Club and Golf Courses and the open market value has been taken into account at Group Level.

Save and except for the above, the Group's assets are stated at historical cost. The Group does not have any revaluation policy on landed properties.