

THE BOARD OF DIRECTORS (“BOARD”) OF LBS BINA GROUP BERHAD (“COMPANY” OR “GROUP”) IS PLEASED TO REPORT THE BEST PRACTICES OF GOOD CORPORATE GOVERNANCE AS PRESCRIBED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (REVISED 2007) (“CODE”) HAD GENERALLY BEEN PRACTICED WITHIN THE GROUP THROUGHOUT THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (“FY 2011”).

THE BOARD IS COMMITTED TO ITS POLICY OF MANAGING THE AFFAIRS OF THE GROUP WITH TRANSPARENCY, INTEGRITY AND ACCOUNTABILITY BY ENSURING THAT A SOUND FRAMEWORK OF BEST CORPORATE PRACTICE IS IN PLACE AT ALL LEVELS OF THE GROUP’S BUSINESS AND THUS DISCHARGING ITS PRINCIPAL RESPONSIBILITY TOWARDS PROTECTING AND ENHANCING LONG-TERM SHAREHOLDERS’ VALUE AND INVESTORS’ INTEREST.

PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS (“MMLR”) OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”), THE BOARD IS PLEASED TO OUTLINE BELOW THE MANNERS IN WHICH THE GROUP HAS APPLIED THE PRINCIPLES AND BEST PRACTICES SET OUT IN THE CODE.

(A) BOARD OF DIRECTORS

Responsibilities of the Board

The Board has the overall responsibility in leading and determining the strategic direction of the Company and its subsidiaries. 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.

Roles of Chairman and Managing Director

The roles of the Chairman and Managing Director are distinct and separate to ensure balance of power and authority. The Chairman of the Board is primarily responsible for ensuring Board effectiveness and monitoring the workings of the Board whilst Managing Director has the overall responsibilities over the Group’s operation, organisational performance effectiveness and implementation of Board policies and decisions. He is also responsible for determination of strategic direction of the Group for the Board’s consideration and approval. The Managing Director also acts as the Group’s official spokesperson.

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 Company. A brief profile of each director is presented on page 16 to 23 of this Annual Report.

The Company is led and managed by an experience Board comprising members of a wide range of experience in relevant fields such as civil engineering, accountancy, banking, business entrepreneurship,

information technology and public service. The collective diverse professional background, skills, experience and knowledge of their respective fields have successfully directed and supervised the Group's business activities.

The Board also recognises the pivotal role of the Independent Non-Executive Directors in corporate accountability as they provide unbiased and independent views, advice and judgement made to issues and decisions and act in the best interest of the Group and its shareholders.

The present composition of the Board is in compliance with Paragraph 15.02(1) of MMLR of Bursa Securities where more than 1/3 of the board of directors of the Company is independent directors. The size and composition of the Board is appropriate for proper functioning of the Board and provides effective check and balance in discharging its responsibilities.

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. Additional meetings convened as and when there are important and urgent decisions to be made, which required to be taken between the scheduled meetings.

All the Directors have complied with the minimum 50% attendance requirement in respect of Board Meetings as stipulated by the MMLR of Bursa Securities. During the FY 2011, a total of five (5) Board Meetings were held. The attendance of each Director at the Board Meetings is tabulated as below: -

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

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.

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. Where a potential of conflict arises in the Group's transactions involving any Director's interest, such Director is required to declare his/her interest and abstain from the decision making process. The proceedings of the meeting including all issues of concerns, discussions, deliberations, substance of enquiries and responses, suggestions, decisions and conclusions made at the Board and Board Committee Meetings are recorded in the minutes of the Board and Board Committee respectively forming part of the statutory record of the Company upon adoption by the Board. Minutes of meetings of each Board Committee are also tabled to the Board for deliberation.

Senior Management staff would be invited to attend the Board Meetings as and when necessary, to furnish with explanations and comments on the relevant agenda items tabled at the Board Meetings or to provide clarification on issue(s) that may be raised by the Directors. The Company has put in place the Directors' and Officers' insurance coverage against liabilities arising from holding offices by virtue of their positions and in connection with the performance of their responsibilities. Nevertheless, the Directors and Officers shall not be indemnified where he/she found guilty in respect of any negligence, default, breach of duty or breach of trust.

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 advise 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.

Board Committees

The Board delegates specific responsibilities to the respective committees of the Board namely Audit Committee, Nomination and Remuneration Committee, Employee Share Option Scheme ("ESOS") Committee and Risk Management Committee (collectively referred to as "Board Committees") in order to enhance business and corporate efficiency and effectiveness. The Chairman of the respective Board Committees will brief the Board on the matters discussed at the Committees' meeting and minutes of these meetings are circulated to the Board. Board 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 2011.

c) Nomination and Remuneration Committee (“NRC”)

The NRC consists of a majority of Independent Non-Executive Directors (“INED”). During the FY 2011, 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 INED is a matter for the Board as a whole.

During the FY 2011, NRC has recommended, and the Board has approved the revision of meeting allowance payable to the INED where the Chairman of the Board and Board Committees is paid a higher meeting allowance compared to other Board members in recognition of his additional responsibilities. The INED were abstained from deliberation and voting in passing the above resolutions.

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. In fulfilling the primary objectives, the RMC is responsible for identifying, evaluating, monitoring and reporting of risk areas and providing control measures, recommendations and management action plans to mitigate such risks through periodic meetings and updates to the Audit Committee in a timely basis.

During the FY 2011, the RMC has reviewed the implementation status of the Management Action Plan under the Risk Register and new risks identified, along with the Risk Assessment Reports in relation to the transactions entered into.

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 provides 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 AGM and the Profile of Directors respectively in this Annual Report.

Directors' Remuneration

The NRC reviews the remuneration package and other benefits-in-kind applicable to all Executive Directors and Senior Management staffs 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 staffs needed to manage the Company successfully.

The remuneration of the Directors for the FY 2011 is set out below:-

- i) The aggregate Directors' remuneration received/receivable from the Company and subsidiary companies during FY 2011 are as follows:

Category	Fees RM	Salaries RM	Bonuses, Allowances and Other Emoluments RM	Benefits- In-Kind RM	Total RM
Executive Directors	144,000	3,594,780	2,349,314	445,157	6,533,251
Non-Executive Directors	284,860	-	432,003	-	716,863

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		4
50,001 – 100,000		2
350,001 – 400,000		1
600,001 – 650,000	2	
1,000,001 – 1,050,000	1	
1,050,001 – 1,100,000	1	
1,400,001 – 1,450,000	1	
1,600,001 – 1,650,000	1	
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Directors' Training

All Directors appointed to the Board apart from attending the Mandatory Accreditation Programme as prescribed by the MMLR of Bursa Securities, have also attended in-house training organised in collaboration with external training providers on issues relevant to the Group. The training programmes attended by the Directors and management staff during FY 2011 are as below :-

- i) High Impact Governance Seminar in Corporate Compliance - Focusing on Directors' Duties, Liabilities and Expectations;
- ii) Executing Change Management Initiatives; and
- iii) Corporate Governance Blueprint – The Board's Role in Governance.

The Board will continue to arrange other relevant training programmes to keep themselves abreast with the latest developments in market place and enhance their professionalism in discharging their fiduciary duties to the Company.

(B) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board acknowledges the importance of communication with the shareholders and investors of the Group's businesses and corporate developments. The following mode of communications were utilised as channels for sharing of substantial information with its shareholders, investors and members of the public :-

a) Investor Relations Department ("IR")

The Company's IR actively involved in conducting regular briefings, dialogues and presentations with institutional investors, fund managers, analysts as well as financial institutions aimed at developing and maintaining a positive relation with all the shareholders and investors through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the shareholders and investors understanding of the Group, thereby enabling the shareholders and investors to make informed decisions in valuing the Company's shares.

The Board is committed to embark on various initiatives in the coming years to further improve on its investor relations and dialogues with shareholders.

b) AGM

The Board regards the AGM as an important channel of communication, as it serves as a forum for direct two-way interaction between the shareholders, Board and Management on the Company's strategy, operations, performance and major developments. Shareholders are given the opportunity to participate in the question and answer session during the AGM on the proposed resolutions and the Group's operations. The Chairman will provide sufficient time to

shareholders' questions on matters pertaining to the Company's performance and would respond to the shareholders with regards to their concern and question raised.

c) Annual Report

Annual Report contains comprehensive and easy to understand details of the business, financial performance, direction and other activities of the Company. These contents are continually enhanced in order that shareholders and investing public are provided with clear and accurate information and are suitably briefed on matters that are to be discussed to enable their effective participation during AGM. An online version of the Annual Report is also available at the Company's corporate website.

d) Website

The Company's all new corporate website www.lbs.com.my also provides an avenue for easy and speedily access to the latest corporate information and development. It houses information of the Group which includes corporate profile, development products for both residential and commercial (including current and future launches), financial results, press releases, corporate news and LBS Newsletters. Alternatively, Bursa Malaysia's website www.bursamalaysia.com would be another source of information to the shareholders, investors and

public community on the various announcements made by the Company from time to time in addition to the Annual Report, Circular to Shareholders and Annual Audited Accounts submitted to Bursa Securities.

e) LBS Newsletter

The Company initiated and developed its in-house corporate newsletter known as LBS Newsletter in the beginning of year 2011. Besides serve as an internal communication device, it also engages shareholders, investors, media, fund managers, analysts and suppliers as an additional mode of communication and provides insightful information of the Company on corporate news and development, products launched and to be launched, operations, directions, media coverages, corporate social responsibility activities as well as employee welfare activities. The issuance of LBS Newsletter is on quarterly basis.

f) Online Social Networking

By recognising broader communication, the Company has registered itself with online social networking platform, i.e. Facebook page and Twitter to serve as an alternate channel of communication in view of better engagement with the shareholders and investors whereby all the real time status and updates of the Company is accessible at any point of time.

g) Marketing Communication Department

As part of its governance initiatives, the Company has set up Marketing Communications Department or better known as MARCOM which its primary role is to coordinate all the media interviews including one-on-one meetings with media either through print media or TV coverage at regular intervals to provide wider publicity and

improve general understanding of the Group's businesses and operations.

MARCOM also responsible for the issuance of press releases and uploading of corporate news and events onto the Company's website, Facebook and Twitter to keep the shareholders and investing public abreast with the latest information of the Group.

h) Senior Independent Non-Executive Director

The Vice Chairman of the Board, Dato' Kamaruddin bin Abdul Ghani, is the designated Senior Independent Non-Executive Director, as prescribed in the Code, to whom concerns pertaining to the Group may be conveyed by shareholders and the public.



(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 2011. 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 overall responsibility for maintaining sound internal control systems that cover financial controls, operational and compliance controls and risk management to ensure shareholders' investments, customers' interests and the Group's assets are safeguarded.

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.

The systems of internal controls are continuously reviewed to ensure that they are working via the on-going review through internal audit process. The Audit Committee regularly evaluates the effectiveness and adequacy of the Group's internal control systems by reviewing the actions taken on internal control issues identified in the reports prepared by IAD during Audit Committee Meetings. The Audit Committee also reviews audit recommendations and management's response to these recommendations.

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. The Audit Committee was accorded the power to communicate directly with both the External and Internal Auditors.

A full Audit Committee Report enumerating its role in relation to the external auditors is set out from pages 76 to 79 of this Annual Report.

(D) ADDITIONAL COMPLIANCE INFORMATION

In compliance with the MMLR of Bursa Securities, the following information is provided: -

Share Buy-Back

During the FY 2011, the Company did not carry out any share buy-back.

Options

No options were exercised during the FY 2011. Main features of the ESOS are stated in the Report of Directors on pages 88 to 94 of this Annual Report.

The aggregate maximum and actual ESOS allocation to Directors and Senior Management during the FY 2011 and since the commencement of the ESOS are as follows :-

	Financial Year 2011		Since the Commencement Financial Year 2011 of the ESOS	
	Maximum Allowable Allocation (%)	Actual Allocation (%)	Maximum Allowable Allocation (%)	Actual Allocation (%)
Directors and Senior Management	0.42	0.42	7.29	7.29

Warrants 2008/2018

There were no warrants exercised during the financial year. Please refer to Note 22 of the Financial Statements on page 158 of this Annual Report for salient features of the warrants.

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

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

Imposition of Sanctions / Penalties

Penalties of RM706,136.00 have been imposed on the Company and its subsidiaries by the Inland Revenue Board and Jabatan Perumahan Negara during the FY 2011.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group and Company for the FY 2011 by the auditor is reflected in Note 33 of the Financial Statements.

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during FY 2011.

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 end under review or which were entered into since the end of the previous financial year.