

Corporate Governance Statement

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) was launched on 29 March 2012 and superseded the Malaysian Code on Corporate Governance 2007. It sets out broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture.

The Board of Directors (“Board”) of LBS Bina Group Berhad (“Company” or “Group”) recognises the importance of adopting high standards of corporate governance within the Group in order to safeguard stakeholders’ interest as well as enhancing shareholders’ value.

The Board wishes to disclose hereunder the manner in which the Group has applied the Principles of MCCG 2012 and the extent to which it has complied with the Recommendations of MCCG 2012, pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) except for matters specifically identified, the Board has generally complied with the Recommendations set out in MCCG 2012 for the financial year ended 31 December 2012 (“FY 2012”).

Principle 1: Establish Clear Roles and Responsibilities

Clear Functions of the Board and Management

The Board delegates authority and vests accountability for the Group’s day-to-day operations with the Senior Management team led by the Managing Director to achieve the corporate objectives.

The Board delegates the resources management to the Senior Management team and has unrestricted access to any information pertaining to the Company and the Group. As such, the Senior Management team 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 Board and the Senior Management team work together to make decisions that will result in growth of the Company.

Clear Roles and Responsibilities

The Board recognises their roles and responsibilities of optimising the operations of the Company and its subsidiaries in discharging of its fiduciary and leadership functions.

The Company is governed by the Board that has the overall responsibility in leading and determining the strategic directions of the Company and its subsidiaries. The Board is primarily responsible for the Group’s overall strategic plans for business performance, appraisal of major business proposals, overseeing the proper conduct of business, succession planning, shareholders’ communication and ensuring adequate systems of internal control and risk management are in place.

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Composition of the Board

The Board, as at the FY 2012 comprised of thirteen (13) members. 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 14 to 27 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 Malaysia 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 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 Malaysia. During the FY 2012, 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	6/6
Dato' Kamaruddin bin Abdul Ghani	6/6
Dato' Lim Hock San	6/6
Datuk Lim Hock Guan	5/6
Mej (K) Dato' Lim Hock Sing	4/6
Datuk Lim Hock Seong	6/6
Lim Mooi Pang	6/6
Chia Lok Yuen	6/6
Tan Sri Dato' Seri Utama (Dr) Haji Abu Hassan bin Haji Omar	5/6
Dato' Wong Woon Yow	6/6
Maj Jen Dato' Mohamed Isa bin Che Kak (B)	6/6
Mohd Fazil bin Shafie	5/6
Kong Sau Kian	6/6

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Supply of Information

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 enquiry and responses, suggestions, decisions and conclusion 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.

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 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 summary of the operations of these Committees is set out below:-

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 implementing the ESOS. There were four (4) ESOS Meetings held during the FY 2012.

c) **Nomination and Remuneration Committee ("NRC")**

The NRC consists of a majority of Independent Non-Executive Directors ("INEDs"). During the FY 2012, 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.

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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 INEDs is a matter for the Board as a whole. There was one (1) NRC Meeting held during the FY 2012.

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 2012, the RMC has reviewed the implementation status of the Management Action Plan under the Risk Register and identified new risks, and discussed the Risk Assessment Reports in relation to the transactions entered into. There were three (3) RMC Meetings held during the FY 2012.

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 in compliance with the MMLR of Bursa Malaysia. 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 of the Directors seeking for re-election are disclosed in the Notice of Annual General Meeting.

Formalised Ethical Standards through Code of Conduct and Business Ethics

The Group's Code of Conduct and Business Ethics for Directors and employees continue to govern the standards of ethics and good conduct expected from the directors and employees. Details as below:-

Directors' Code of Conduct

The Code of Conduct for the Board provides guidance for proper standards of conduct, sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.

The Board currently observes the following Code of Conduct:-

- (i) Companies Act, 1965; and
- (ii) The Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.

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The Company undertakes to formulate its Code of Conduct to ensure a high standard of ethical and professional conduct is upheld.

Insider Trading

Directors and employees who possess price sensitive information which is not available to the public, are not allowed to trade in the Company's securities consistent with Subdivision 2 – Insider Trading, Part V – Market Misconduct and Other Prohibited Conduct of the Capital Markets and Service Act, 2007 and Paragraph 14.04 of the MMLR of Bursa Malaysia.

Relevant notifications in relation to the dealings of the Company's securities during close period are sent to Directors and principal officers on a quarterly basis specifying the timeframe during which they are prohibited from dealing in the Company's securities.

Declaration of Interests

The Directors acknowledge that by declaring their interest in any transaction with the Company and the Group, they will abstain themselves from deliberation and voting on the relevant resolutions at the Board Meetings or any general meeting convened to consider the matter. If a corporate proposal has to be approved by the shareholders, the Directors with any interest in the proposal will abstain from voting on the resolution, and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolution.

Group IT Policies

Under the Group IT Policies, staffs are strictly prohibited for installation, copy or download any illegal and unlicensed software onto their desktop PC and notebook, online gaming or any kind of computer games as these would constitute criminal offence under the Copyright Act, 1987. Stern disciplinary actions will be taken against any staff who found to have committed this offence.

Standard Operating Procedures ("SOPs")

Well documented SOPs of certain functions of the various key departments within the Group were established and approved as standard, procedure and responsibilities for employee being their key factor in maintaining efficiency, consistency and clear communication while performing their tasks besides strengthen internal controls of the Group.

These SOPs are made available to all staff at the internal network storage's folder sharing of the Company which subject to review from time to time.

Corporate Disclosure Policy and Procedure

The Company has adopted its Investor Relations Policy ("IR Policy") as its official corporate disclosure policy and procedure in disseminating corporate and material information to the investing public.

The Company is committed to provide accurate, balance, clear, timely, consistent and fair disclosure of corporate information through its IR Policy and in accordance with the corporate disclosure requirements as set out in the MMLR of Bursa Malaysia and Corporate Disclosure Guide 2011 introduced by Bursa Malaysia, to enable informed and orderly market decisions by the investors.

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Strategies Promoting Sustainability

The Board recognises the importance of sustainability that improves the continuous improvement process for an organisation in the modern economy which includes the sound management of people and environment, and business sustainability eventually.

As a responsible and caring corporate citizen, the Company takes into consideration the interests of the community, employees, environment, shareholders and other stakeholders when making business decision and managing resources in developing its sustainability strategies through internal policies which aim at securing sustainable elements to guide policies towards sustainability development. The Board should also introduce formal strategies on promoting the sustainability of the Company, with particular focus on the environmental, social and governance aspects of the business.

Access to Information and Advice

Prior to Board meetings, the Board members will be provided agendas and board papers on a timely basis. The board papers include minutes of previous meeting, quarterly financial results, annual financial statements, internal audit reports, follow-up reports, summary of signed directors' circular resolutions, summary of dealings in securities by Directors, Group's risk profile, corporate proposals and other supporting documents in relation to the issues of the meeting. Presentation to the Board and Board Committees are prepared and delivered in a manner that ensures a clear and adequate presentation of the subject matter. All Directors have the right and duty to make further enquiries where they consider necessary. Members of the Senior Management team are invited to provide insight and to furnish clarification on issues that may be raised by the Board.

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 advised 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.

When necessary, the Board members may seek external professional advice, whether as a full Board or in their individual capacity, to enable them to discharge their duties with adequate knowledge at the expense of the Company. In addition, the Board has unrestricted access to the Company's information and receive regular information updates from the Management. Corporate announcements released to Bursa Malaysia are sent to all the Directors.

Qualified and Competent Company Secretary

The Board should ensure it is supported by a suitably qualified and competent Company Secretary.

The Company Secretary plays an important advisory role and as a central source of guidance, information and advice to the Board and Board Committees on issues relating to corporate compliance with the relevant laws, rules, regulations and procedures affecting the Board and the Group, as well as best practices of governance.

The Board members and Board Committees have unlimited access to the services of the Company Secretary and is updated with new regulatory, regulations or requirements of current developments in the regulatory framework and governance practice concerning their duties and responsibilities. The Company Secretary also facilitates directors' training.

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The Company Secretary attends all the Board and Board Committee meetings and ensures that all board papers are sent to the members in a timely basis, meetings are properly convened and proper records of the deliberations and proceedings are minuted and signed by the Chairman. The Company Secretary also facilitates the communications of key decisions between the Board, Board Committees and Senior Management.

The Company Secretary shall be of a senior position with adequate authority and report directly to the Board. The appointment and removal of the Company Secretary will be subjected to the approval of the Board.

Board Charter

The Board shall formalise and commit to ethical values through the formalization of the Board Charter under the Recommendation 1.7 of MCCG 2012 in the near future. During the FY 2012, the Company does not have a formal board charter, however the Board members are mindful and aware of their fiduciary duties and responsibilities, and the various legislations and regulations affecting their conduct, and that the highest standards of corporate governance are applied in all their dealings in respect, and on behalf of the Company.

The Board will review all the existing policies and frameworks of the Group and to adopt and formalize a Board Charter comprises the Code of Conducts which provides guidance to the Board towards fulfilling its roles, duties and responsibilities which in line with the Principles and Recommendations of MCCG 2012.

Principle 2: Strengthen Composition

Nomination and Remuneration Committee ("NRC")

The composition of NRC comprising majority independent non-executive directors. The members of NRC are as follow:-

- (a) Kong Sau Kian, Chairman
(Independent Non-Executive Director)
- (b) Dato' Kamaruddin bin Abdul Ghani
(Independent Non-Executive Director)
- (c) Dato' Lim Hock San
(Managing Director)
- (d) Datuk Lim Hock Guan
(Executive Director)
- (e) Tan Sri Dato' Seri Utama (Dr) Haji Abu Hassan bin Haji Omar
(Independent Non-Executive Director)
- (f) Maj. Jen. Dato' Mohamed Isa bin Che Kak (B)
(Independent Non-Executive Director)

The NRC meets at least once a year and whenever required. During the FY 2012, one (1) meeting attended by all the NRC members was held. The following activities were carried out:-

- (a) Reviewed the re-election of directors retiring by rotation pursuant to Article 100 of the Company's Articles of Association and Section 129 (6) of the Companies Act, 1965 at its Twelfth Annual General Meeting;
- (b) Reviewed the composition of the Board in respect of its size and the required mix of skills and experience;

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- (c) Reviewed remuneration package comprising salaries, incentives, bonuses, benefits-in-kind and allowances of Executive Directors and Senior Management personnel. The determination of the remuneration of the INEDs is a matter for the Board as a whole; and
- (d) Annual assessment and evaluation of the Board, Board Committees and the individual directors as well as the annual review of the Board.

The NRC provides a formal and transparent procedure for the assessment of the effectiveness of individual directors and the Board as a whole. This shall take the form of questionnaires comprising a self-evaluation and the results of the assessment will be collected and collated by the Company Secretary, on behalf of NRC for review and to ascertain its performance and effectiveness at the NRC meeting. The findings of the evaluation were tabled at the NRC meeting for discussion and subsequently reported to the Board.

The Board is satisfied that the NRC of its current function in respect of nomination and remuneration matters is in accordance with its terms of reference. Nevertheless, in line with the Recommendations 2.1 and 3.2 of MCCG 2012, the Board will continue to monitor and review its Board size and composition including Board Committees as may be needed.

Directors' Remuneration

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

The remuneration of the Directors for the FY 2012 is set out below:-

- i) The aggregate directors' remuneration received/receivable from the Company and subsidiary companies during the FY 2012 are as follow:-

Category	Fees (RM)	Salaries (RM)	Bonuses Allowances and Other Emoluments (RM)	Benefits- In-Kind (RM)	Total (RM)
Executive Directors	409,782	4,089,960	2,407,011	264,638	7,171,391
Non-Executive Directors	285,688	-	447,776	-	733,464

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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		1
50,001 – 100,000		5
350,001 – 400,000		1
650,001 – 700,000	1	
700,001 – 750,000	1	
1,050,001 – 1,100,000	1	
1,100,001 – 1,150,000	1	
1,700,001 – 1,750,000	1	
1,800,001 – 1,850,000	1	
	6	7

Principle 3: Reinforce Independence

Annual Assessment of Independence

Paragraph 1.01 of the MMLR of Bursa Malaysia provides that an INED is one who is independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of a listed company.

The Board shall assess the independence of the INEDs under the annual assessment of the Board by taking into consideration of their interests disclosed and having regard to the criteria for assessing their independence. Based on the assessment conducted by the NRC, the Board is generally satisfied with the level of independence demonstrated by all the INEDs of the Company and their ability to act in the best interest of the Company.

Tenure of Independent Directors

Recommendation 3.2 of the MCGG 2012 recommends that the tenure of an independent director should not exceed nine (9) years cumulatively. After nine (9) years, such independent director may continue to serve on the Board subject to his re-designation as a non-independent director.

The Company does not have term limits for INEDs as the Board believes that continued contribution provides benefit for the Board and the Company as a whole. The Board is of the view that there are significant advantages to be gained from the long-serving INEDs who provide invaluable insight and possesses knowledge of the affairs of the Company. The caliber, qualification, experience and personal qualities, particularly of the INEDs' integrity and objectivity in discharging his/her responsibilities in the best interest of the Company predominantly determines the ability to serve effectively as INEDs.

Although term limits could help to ensure that new ideas and perspective would be available to the Board, they pose the disadvantage of losing experienced INEDs who over time have developed detailed insight in the Company's operations and therefore, provide an increasing contribution to the effectiveness of the Board as a whole. The Board therefore viewed that imposing a fixed term limit for INEDs does not necessarily assure their independence and objectivity.

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Shareholders' Approval for the Re-Appointment of INEDs who has served for nine (9) years or more

Recommendation 3.3 of MCCG 2012 requires an independent director who has served the Board for a period of nine (9) years cumulatively to be re-designated as a non-independent director. However, subject to shareholders' approval at the general meeting, the independent director may retain as an independent director.

The Board is recommending to shareholders for approval to retain Maj. Jen. Dato' Mohamed Isa bin Che Kak (B) as Independent Director at the forthcoming Thirteenth Annual General Meeting of the Company. Maj. Jen. Dato' Mohamed Isa bin Che Kak (B) was appointed as Independent Director since 6 December 2001, and has therefore, served for more than nine (9) years. He will retire in accordance with Section 129(6) of the Companies Act, 1965 and will not seek for re-election in line with the Recommendations of the MCCG 2012.

Separation of Positions of the 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 strategy, overseeing and managing the day-to-day operations of the Group and the Board policies, decisions, consideration and approval. 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.

Dato' Seri Lim Bock Seng, is the founder of LBS Group of Companies who founded the construction business in 1960s. Under his vision and guidance, the business has grown into one of Malaysia's leading property developer. In appreciation of his contribution, the Company's name was named after each initial of his name, Lim Bock Seng, in abbreviation LBS. He was appointed as Chairman & Non-Independent Non-Executive of the Group on 6 December 2001 prior to the listing of the Company on the Main Market of Bursa Malaysia on 30 January 2002.

Notwithstanding the Chairman is not an independent director as recommended in the MCCG 2012, the Board has not found it necessary to identify an independent director as Chairman as there are a number of experienced and competent independent directors on the Board. In addition, the Chairman encourages full deliberation of issues affecting the Group by all members of the Board who will act collectively in the best overall interests of the shareholders.

Principle 4: Foster Commitment

Time Commitment

The Directors of the Company acknowledge the importance of allocating sufficient time to attend the affairs of the Company and at the same time ensure their full commitment towards the business needs of the Company and its Group.

All Directors are obliged to notify the Board before accepting any new directorships in other listed companies. The notification will include an indication of time that will be spent on the new appointments to ensure that the Directors have sufficient time to discharge their duties to the Board and the various committees on which they serve.

All Directors of the Company are in compliance with the limits on directorships in other companies.

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Directors' Training and Induction

All Directors appointed to the Board apart from attending the Mandatory Accreditation Programme as prescribed by the MMLR of Bursa Malaysia, have also attended in-house training organized in collaboration with external training providers on issues relevant to the Group. An induction briefing is also provided by the Company Secretary to the newly appointed Directors.

The training programmes attended by the Directors and management staff during the FY 2012 are as below:-

- (i) Is The Global Economy Still Slowing Down? Implication on Malaysian Business; and
- (ii) Bursa Malaysia's Half Day Governance Programme Series.

The Company Secretary provided internal briefings to the Directors on key corporate governance developments and updated on the changes to the MMLR of Bursa Malaysia from time to time.

The Company Secretary facilitates the training programmes registration for interested Directors and would maintain such records of the programmes and their attendance thereat.

The Board will continue to evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors of the Company.

Principle 5: Uphold Integrity in Financial Reporting

Financial Reporting

The Board endeavours to provide a clear, balanced and fair assessment of the Group's financial performance and prospect via the financial statements and quarterly financial reports.

The Board is assisted by the Audit Committee to oversee the integrity of the Group's financial reporting and as part of these roles, the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes comply with applicable financial reporting standards.

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 the FY 2012. The Board is also responsible for ensuring that the financial results released to Bursa Malaysia 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.

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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. The internal audit function conducted its works based on an annual internal audit plan which was tabled before, and approved by, the Audit Committee.

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 on Risk Management and Internal Control forming part of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The external auditors provide mainly audit-related services to the Company and also undertake certain non-audit services such as quarterly review, regulatory review and reporting, and other services as and when requested by the Group. The independence of external auditors can be impaired by the provision of non-audit services to the Company.

The external auditors attended all the Audit Committee's meetings held to review the quarterly results and the financial statements. For the year under review, two (2) sessions were held between the Audit Committee and the external auditors in the absence of the Management as part of the Company's practice for independence and greater exchange of views in relation to the financial reporting and auditing process.

The Audit Committee shall review and monitor the suitability and independence of external auditors including the establishment of policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors. To provide support for an assessment on independence, the Audit Committee has obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

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Principle 6: Recognise and Manage Risks

Sound Risk Management Framework

The Board is aware of the importance of establishing and maintaining a sound system of risk management framework and internal control in the Company and its subsidiaries to safeguard shareholders' interest and Group's assets. The Board continuously reviews and examines the effectiveness and efficiency of the risk management framework and internal control system on areas such as financial, operational and compliance, and seek alternative ways for improvement should any weakness be detected and identified.

The engagement of internal auditors is one of the many ways of reviewing and assessing the effectiveness of the risk management framework and internal control system of the Group. Both the Board and Management will rectify the weaknesses detected by the internal auditors through either adopting the recommendations made by the internal auditors or developing its own alternatives to eliminate such weaknesses.

The Statement on Risk Management and Internal Control is set out on pages 95 to 96 of this Annual Report.

Relationship with External Auditors

The Board maintains a formal and transparent relationship with its external auditors in seeking their advice to ensure compliance with the applicable accounting standards. The external auditors regularly bring up relevant matters that need to be addressed during the Audit Committee meetings and Board meetings.

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 90 to 94 of this Annual Report.

Principle 7: Ensure Timely and High Quality Disclosure

Corporate Disclosure Policies and Procedures

The Company recognizes the importance of effective and timely disclosure of corporate and material information to ensure that shareholders and investors make informed assessments of the Company's value and prospect.

The Company is having its IR Policy through which it exercises its commitment in achieving best practice in terms of release material information in a complete, timely and accurate manner to Bursa Malaysia and consequently to the market.

All information made available to Bursa Malaysia is immediately available to shareholders and the public at large on the Investors section of the Company's corporate website: www.lbs.com.my.

Leverage on Information Technology for Effective Dissemination of Information

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:-

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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, investors, research analysts, bankers and press.

b) Annual General Meeting (“AGM”)

The Company’s AGM remains the principal forum for dialogue and interaction with the shareholders in particular private investor. 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 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 Newsletter. 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 Malaysia.

e) LBS Newsletter

LBS Newsletter, the Company’s in-house corporate newsletter serves 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 coverage, corporate social responsibility activities as well as employee welfare activities. The issuance of LBS Newsletter is on quarterly basis and is posted at its corporate website.

Corporate Governance Statement

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

The Marketing Communications Department of the Company or better known as MARCOM, 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, to whom concerns pertaining to the Group may be conveyed by shareholders and the public.

Principle 8: Strengthen Relationship Between the Company and Shareholders

Encourage Shareholders Participation at General Meetings

The Company recognizes the importance of effective and timely disclosure of corporate and material information to ensure that shareholders and investors make informed assessments of the Company's value and prospect.

a) Encourage Shareholder Participation at General Meetings

The Company maintained an active dialogue with shareholders with the objective of giving a clearer picture of the Company's performance. At the Company's AGM shareholders can express their views or raise questions in relation to the Group's financial performance and business operations. Members of the Board as well as the auditors of the Company are present to answer questions raised at the meeting. The shareholders are given the opportunity to raise questions on the Group's activities and prospects as well as to communicate their expectations and concerns to the Company.

Extraordinary General Meeting is held as and when shareholders' approvals are required on specific matters.

The Board will ensure sufficient and relevant information are given for each agenda in the notice of meetings.

The Board will consider adopting electronic voting to facilitate greater shareholders' participation when the facilities for electronic voting mechanism are more prevalent in the future.

Corporate Governance Statement

b) Queries and Feedback

The Company welcomes inquiries and feedback from shareholders and the investment community. The IR Department of the Company provides investors with a channel of communication through which they can provide feedback to the Company.

Queries and concerns regarding the Group may be conveyed to the IR Team where details of the contacts are published in the Company's website.

Encourage Poll Voting

All resolutions put forth for shareholders' approval at its Twelfth AGM held on 28 June 2012 were voted by a show of hands.

Going forward, the Board encourages poll voting for substantive resolution(s) whilst the ordinary business resolutions are being voted by show of hands to be put forth for shareholders' approval at the general meetings.

Additional Compliance Information

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

Share Buy-Back

During the financial year, the Company bought back a total of 5,336,700 shares of RM1.00 each from the open market. Details of the shares bought back during the financial year were as follows:-

Month	Number of Shares bought back and held as Treasury Shares	Highest price paid per share (RM)	Lowest price paid per share (RM)	Average price paid per shares (RM)	Total consideration* (RM)
February	250,000	0.795	0.775	0.794	198,404.90
March	460,000	0.815	0.770	0.798	366,912.27
April	1,695,000	0.885	0.785	0.844	1,430,458.50
May	571,500	0.835	0.790	0.810	463,194.47
June	390,200	0.800	0.785	0.799	311,584.90
July	1,360,000	0.855	0.780	0.823	1,119,016.20
August	600,000	0.850	0.835	0.848	508,757.95
December	10,000	0.845	0.845	0.851	8,512.24
Total	5,336,700				4,406,841.33

Note: * Including transaction costs

All the 5,336,700 shares bought back during the FY 2012 are held as Treasury Shares. None of the Treasury Shares were resold or cancelled during the financial year.

Corporate Governance Statement

Options

The Company has established a New Employees' Share Option Scheme ("New ESOS") approved by the shareholders at an Extraordinary General Meeting held on 28 June 2012 in place of the Company's existing ESOS which was implemented on 16 September 2002 and expired on 15 September 2012.

No options were exercised during the FY 2012. Main features of the New ESOS are stated in the Note 39 of the Financial Statements on page 188 to 196 of this Annual Report.

During the FY 2012, Options granted to and exercised by Non-Executive Directors since the commencement of the New ESOS are as follows:-

No.	Name of Director	Number of Options Granted	Number of Options Exercised
1.	Dato' Seri Lim Bock Seng	1,050,000	-
2.	Dato' Kamaruddin bin Abdul Ghani	945,000	-
3.	Tan Sri Dato' Seri Utama (Dr) Haji Abu Hassan bin Haji Omar	735,000	-
4.	Maj Jen Dato' Mohamed Isa bin Che Kak (B)	945,000	-
5.	Dato' Wong Woon Yow	735,000	-
6.	Kong Sau Kian	945,000	-
7.	Mohd Fazil bin Shafie	945,000	-

Warrants 2008/2018

There were no warrants exercised during the FY 2012. Please refer to Note 25 of the Financial Statements on page 174 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

During the financial year, penalties of RM4,407,370.00 have been imposed on the Company and its subsidiaries mainly by Inland Revenue Board.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group and Company for the FY 2012 by the auditor is reflected in Note 36 of the Financial Statements.

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the FY 2012.

Corporate Governance Statement

Profit Estimate, Forecast and Projection

The Company did not release any profit estimate, forecast or projection during the financial year.

Profit Guarantee

No profit guarantee was given during the financial year.

Variation in Financial Results

There was no material variance of 10% or more between the audited financial results and the unaudited financial results of the Group for the FY 2012.

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.