

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of LBS Bina Group Berhad (“Company” or “Group”) recognises the importance of maintaining and adopting sound good governance within the group and is committed to high standard of governance to enhance business sustainability and safeguard the interests of shareholders and all other stakeholders.

The Board believes that implementation of sound practices and processes would engender an effective board, contribute to achieve strategic and operational objectives and build sustainable value in businesses. Despite having good corporate governance and internal controls in place, the Board is always exploring and developing new structures and measures in establishing effective corporate governance.

The Board wishes to disclose hereunder the manner in which the Group has applied the Principles of The Malaysian Code on Corporate Governance 2012 (“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 is generally in compliance with the Recommendations set out in MCCG 2012 for the financial year ended 31 December 2013 (“FY 2013”).

## Principle 1: Establish Clear Roles and Responsibilities

### Clear Functions, Roles and Responsibilities of the Board and Management

The Board takes full responsibility in leading, governing, guiding and monitoring the entire performance and enforces standards of accountability including the process for financial reporting, risk management and compliance.

The Board assumes, amongst others, the following roles and responsibilities:-

- To formulate, implement and evaluate the strategic plans and direction of the Group;
- To oversee the conduct and performance of the Group’s businesses;
- To identify principal risks affecting the Group, setting the risk appetites and to ensure the implementation of appropriate mitigation measures;
- To establish and review training programme and succession planning to the Board and all candidates appointed to senior management positions are of sufficient calibre;
- To approve the change of corporate organisation structure plan including new investments or divestments both locally or abroad;

- To oversee the development and implementation of shareholder communication policy for the Group; and
- To review the adequacy and the integrity of the Group’s management information and internal control system.

The following are matters specifically reserved for the Board:-

- approval of corporate plans and programmes;
- approval of material investments and divestments, mergers and acquisitions, corporate restructuring both local and abroad;
- appointment of new Directors, Chief Executive Officer/Managing Director and other senior management positions base on recommendation of the Group’s Nomination and Remuneration Committee;
- annual financial statements and the quarterly financial results prior to releasing to Bursa Securities Malaysia Berhad (“Bursa Securities”); and
- material related party transactions and capital financing.

The Board is not involved in the day-to-day operations whereby the Board delegates the authority and accountability for the day-to-day management of the business to 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.

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### Composition of the Board

For FY 2013, the Board's composition complies with the MMLR which comprised of ten (10) members. Three (3) Independent Non-Executive Directors and 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 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.

Besides recognising the importance of the diversity on the Board which would provide different perspectives and ideas, the board is also considering the gender diversity and take this as consideration element in seeking and identifying suitable candidate.

The present composition of the Board is in compliance with Paragraph 15.02(1) of MMLR of Bursa Malaysia where 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 would be convened as and when there are important and urgent decisions to be made, which required to be taken in 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 2013, a total of five (5) Board Meetings were held. The attendance of each Director at the Board Meetings is tabulated as below:

| Directors  | Number of meetings held during tenure in office | Attendance |
|--|---|------------|
| Dato' Seri Lim Bock Seng   | 5   | 5          |
| Dato' Sri Lim Hock San   | 5   | 5          |
| Datuk Lim Hock Guan  | 5   | 4          |
| Mej (K) Dato' Sri Lim Hock Sing  | 5   | 5          |
| Datuk Lim Hock Seong   | 5   | 5          |
| Lim Mooi Pang  | 5   | 5          |
| Chia Lok Yuen  | 5   | 5          |
| Lim Tong Lee<br>(Appointed with effect from 22 May 2013)   | 3   | 3          |
| Datuk Haji Baharum bin Haji Mohamed<br>(Appointed with effect from 20 August 2013)                           | 2   | 2          |
| Datuk Lim Si Cheng<br>(Appointed with effect from 20 August 2013)  | 2   | 2          |
| Dato' Kamaruddin bin Abdul Ghani<br>(Resigned with effect from 4 June 2013)                                  | 3   | 3          |
| Tan Sri Dato' Seri Utama (Dr)<br>Haji Abu Hassan bin Haji Omar<br>(Resigned with effect from 26 August 2013) | 4   | 4          |
| Dato' Wong Woon Yow<br>(Resigned with effect from 26 August 2013)  | 4   | 4          |
| Maj Jen Dato' Mohamed Isa bin Che Kak (B)<br>(Retired with effect from 28 June 2013)                         | 3   | 3          |
| Mohd Fazil bin Shafie<br>(Resigned with effect from 4 June 2013)   | 3   | 2          |
| Kong Sau Kian<br>(Resigned with effect from 4 June 2013)   | 3   | 3          |

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### Supply of Information

All the Directors, particularly Independent Non-Executive Directors are also briefed during the Board Meetings 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 whereupon 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 administration and implementation of 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 was one (1) ESOS Meeting held during the FY 2013.

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

Please refer to Principle 2: Strengthen Composition – Nomination and Remuneration Committee on page 71 to 72 of this Annual Report.

#### 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 2013, 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 five (5) RMC Meetings held during the FY 2013.

### Appointment and Re-election of Directors

In line with the Recommendation 3.2 of the MCCG 2012 which stipulates that the tenure of an independent director should not exceed a cumulative term of nine years. In 2013, the Board had accepted the resignation of five Independent Non-Executive Directors ("INEDs"), namely Dato' Kamaruddin bin Abdul Ghani, Tan Sri Dato' Seri Utama (Dr) Haji Abu Hassan bin Haji Omar, Dato' Wong Woon Yow, En. Mohd Fazil bin Shafie and Mr. Kong Sau Kian and approved the recommendation of NRC for an INED, Maj Jen Dato' Mohamed Isa bin Che Kak (B), to retire at 13th Annual General Meeting in accordance with Section 129(6) of the Companies Act, 1965 who will not seek for re-election in view of reaching their 9 years tenure.

Prior to the above resignations and retirement, Nomination and Remuneration Committee had undertaken nomination process and conducted reviews on the Board's composition, particularly for INEDs to ensure the adherence of the said Recommendation with aim of enhancing overall board effectiveness. During 2013,

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the Board had approved the proposed candidates recommended by the NRC where the NRC has considered and assessed the appointment of three INEDs, namely Mr. Lim Tong Lee, Datuk Haji Baharum bin Haji Mohamed and Datuk Lim Si Cheng after taking into consideration of the candidates' skills, knowledge, expertise, experience, time, commitment, character, professionalism and integrity in place of the vacancy arose from the resignations and retirement.

Besides, the NRC is responsible for recommending to the Board those Directors who are eligible to stand for re-election/reappointment. The recommendations made are based on Company's Articles of Association and taking into account the performance of the Directors. 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. 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 disclosed 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) Directors' Code of Ethics

#### **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 which is in 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 of close period and the day of 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 to be 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 also will abstain from voting on the resolution.

#### **Group IT Policies**

Under the Group IT Policies, staffs are strictly prohibited from installing, copying or downloading any illegal, unlicensed and unauthorised software onto their desktop PC and notebook, as these would constitute criminal offence under the Copyright Act, 1987. Stern disciplinary actions will be taken against any staff who found 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 processes, procedures and responsibilities for employee. It provides as their key reference in maintaining efficiency and the uniformity of the performance of a specific function.

These SOPs are made available to all staff at the internal computer network storage sharing folder 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.

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

### 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.

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 Charter has been endorsed by the Board during FY 2013 and is made available for reference on Company's corporate website. The document

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clearly sets out the functions, roles and responsibilities of the Board and Board Committees and also the processes and procedures of Board and Board Committees' Meeting.

It shall be reviewed by the Board and updated from time to time to ensure the Group remains at the forefront of best practices in corporate governance.

### Principle 2 : Strengthen Composition

#### Nomination and Remuneration Committee ("NRC")

The composition of NRC has been reformed during the FY 2013 in view of the changes in the composition of the Board and the introduction of Paragraph 15.08A(1) of the MMLR (as promulgated in Recommendation 2.1 of MCCG 2012) which mandates the Nominating Committee, established by the Board, to comprise exclusively Non-Executive Directors, majority of whom must be independent.

The composition of NRC now consists of three (3) members which comprises exclusively Independent Non-Executive Directors and is chaired by Mr. Lim Tong Lee. The members of NRC are as follows:-

#### (a) Lim Tong Lee, Chairman

(Independent Non-Executive Director)  
Appointed with effect from 22 May 2013

#### (b) Datuk Haji Baharum bin Haji Mohamed

(Independent Non-Executive Director)  
Appointed with effect from 20 August 2013

#### (c) Datuk Lim Si Cheng

(Independent Non-Executive Director)  
Appointed with effect from 20 August 2013

The NRC has assessed the effectiveness of the Board as a whole and the Board Committees. The assessment parameters included board structure, operations, tenure, 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, 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 INEDs is a matter for the Board as a whole. There were three (3) NRC Meetings held during the FY 2013. The following activities were carried out:-

- (a) Considered, assessed and recommended to the Board for Directorships after taking into consideration the candidates' skills, knowledge, expertise and experience, time, commitment, character, professionalism and integrity;
- (b) Reviewed the re-election of directors retiring by rotation pursuant to Article 100 and 106 of the Company's Articles of Association and Section 129 (6) of the Companies Act, 1965 at its Thirteenth Annual General Meeting;
- (c) Reviewed the composition of the Board in respect of its size and the required mix of skills and experience;

(d) 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;

(e) Annual assessment and evaluation of the Board, Board Committees and the individual directors as well as the annual review of the Board; and

(f) Reviewed the tenure of the INEDs in line with Principle 3.2 of MCCG 2012.

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.

#### 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.

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The remuneration of the Directors for the FY 2013 is set out below:-

- i) The aggregate directors' remuneration received/receivable from the Company and subsidiary companies during the FY 2013 are as follow:-

| Category                | Fees (RM) | Salaries (RM) | Bonuses Allowances and Other Emoluments (RM) | Benefits-In-Kind (RM) | Total (RM) |
|-------------------------|-----------|---------------|--|-----------------------|------------|
| Executive Directors     | 512,115   | 4,500,978     | 3,368,670                                    | 834,704               | 9,216,467  |
| Non-Executive Directors | 237,600   | -             | 1,028,300                                    | 13,595                | 1,279,495  |

- 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           |                  | 3             |
| 100,001 – 150,000          |                  | 6             |
| 350,001 – 400,000          |                  | 1             |
| 950,001 – 1,000,000        | 1                |               |
| 1,000,001 – 1,050,000      | 1                |               |
| 1,450,001 – 1,500,000      | 1                |               |
| 1,500,001 – 1,550,000      | 1                |               |
| 1,900,001 – 1,950,000      | 1                |               |
| 2,200,001 – 2,250,000      | 1                |               |
|                            | 6                | 10            |

### 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 MCCG 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.

During the FY 2013, there were three (3) newly appointed INEDs in place of the six (6) INEDs of whom their tenure exceeding

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nine (9) years had already resigned and retired during FY 2013 which is in line with the Recommendation.

### 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 Director 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 for the time being. The Board is satisfied that there is a sufficient balance between Independent and Non-Independent Directors on the Board to ensure no one individual had unfettered decision making powers. Further, the Committee was of opinion that an independent Chairman may not necessarily improve the function of the Board. Accordingly, the members believe that while the Chairman is the founder of the corporation and also a significant driver behind the business, this will add value to the Company and all shareholders' benefit despite it is not complied with the Code.

### 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.

### 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 was also provided by the Company Secretary to the newly appointed Directors.

The training programmes attended by the Directors and management staff during the FY 2013 are as below:-

- (i) Fraud Detection & Prevention - A Necessity, Not a Choice; and
- (ii) The Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers- Challenges to the Board and Management.

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.



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### 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 2013. 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.

#### 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.

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### 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. 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.

### 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 83 to 84 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 80 to 82 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](http://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:-

#### 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

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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 particulars 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](http://www.lbs.com.my) also provides an avenue for accessing to the latest corporate information and development of the Company easily and immediately. 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](http://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 Magazines**

Quarterly LBS Magazines - Journey to the LBS, the Company's in-house corporate bilingual magazines 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 latest 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.

### **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, investors and other stakeholders 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.

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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 former Vice Chairman of the Board, Dato' Kamaruddin bin Abdul Ghani who had served as Senior Independent Non-Executive Director ("Senior INED") since 6 December 2001 has resigned on 4 June 2013 which is in line with the Recommendation 3.2 of MCCG 2012 as his tenure of service with the Company has exceeded 9 years.

During the Board's Meeting held on 19 April 2014, Datuk Haji Baharum bin Haji Mohamed was designated as the Senior INED of the Company, 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.

#### 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 Thirteenth AGM held on 28 June 2013 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, there were Shares Buy-Back and shares resold by the Company, the details of which are set out in the Notes to the Financial Statements on pages 168 to 169 of this Annual Report.

#### Options

During the FY 2013, 32,326,800 options were exercised pursuant to the Employees' Share Option Scheme ("ESOS") which was approved by the shareholders at the Extraordinary General Meeting held on 28 June 2012. Main features of the ESOS are stated in the Notes to the Financial Statements on pages 185 to 192 of this Annual Report.

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In regard to Options applicable to Directors and Senior Management under the ESOS during FY 2013 are as follows:-

| Directors and Senior Management | During the financial year ended<br>31 December 2013 | Since commencement on<br>18 September 2012<br>up to 31 December 2013 |
|---------------------------------|---|--|
| Aggregate maximum allocation    | 80%   | 80%  |
| Actual percentage granted       | 5.51  | 35.41  |

During the FY 2013, Options granted to and exercised by Non-Executive Directors since the commencement of the ESOS are as follows:-

| No. | Name of Director   | Number of<br>Options as at<br>1.1.2013 | Number<br>of Options<br>Granted | Number<br>of Options<br>Exercised | Number<br>of Options<br>Forfeited | Number of<br>Options as at<br>31.12.2013 |
|-----|--|--|---------------------------------|-----------------------------------|-----------------------------------|--|
| 1.  | Dato' Seri Lim Bock Seng   | 1,050,000                              | 140,000                         | 1,190,000                         | -                                 | -  |
| 2.  | Datuk Haji Baharum bin Haji Mohamed<br>(Appointed with effect from 20 August 13)                           | -                                      | -                               | -                                 | -                                 | -  |
| 3.  | Datuk Lim Si Cheng<br>(Appointed with effect from 20 August 13)  | -                                      | -                               | -                                 | -                                 | -  |
| 4.  | Lim Tong Lee<br>(Appointed with effect from 22 May 13)   | -                                      | -                               | -                                 | -                                 | -  |
| 5.  | Dato' Kamaruddin bin Abdul Ghani<br>(Resigned with effect from 4 June 13)                                  | 945,000                                | -                               | -                                 | 945,000                           | -  |
| 6.  | Tan Sri Dato' Seri Utama (Dr)<br>Haji Abu Hassan bin Haji Omar<br>(Resigned with effect from 26 August 13) | 735,000                                | 98,000                          | 833,000                           | -                                 | -  |
| 7.  | Maj Jen Dato' Mohamed Isa bin Che Kak (B)<br>(Retired with effect from 28 June 13)                         | 945,000                                | -                               | 945,000                           | -                                 | -  |
| 8.  | Dato' Wong Woon Yow<br>(Resigned with effect from 26 August 13)  | 735,000                                | 98,000                          | 833,000                           | -                                 | -  |
| 9.  | Kong Sau Kian<br>(Resigned with effect from 4 June 13)   | 945,000                                | -                               | 945,000                           | -                                 | -  |
| 10. | Mohd Fazil bin Shafie<br>(Resigned with effect from 4 June 13)   | 945,000                                | -                               | -                                 | 945,000                           | -  |

### Warrants 2008/2018

In the FY 2013, a total of 60,772,000 Warrants were converted into ordinary shares at an exercise price of RM1.00 per Warrant. Please refer to Note 27 of the Financial Statements on page 171 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 RM1,296,423.00 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 2013 by the auditor is reflected in Note 38 of the Financial Statements.

### Utilisation of Proceeds

On 12 August 2013 ("completion date"), the Company has announced the

completion of proposed disposal of 100% equity interest in Lamdeal Consolidated Development Ltd and Lamdeal Golf & Country Club Ltd to Jiuzhou Tourism Property Company Limited, a wholly owned subsidiary of Zhuhai Holdings Investment Group Limited ("Zhuhai Holdings") for an aggregate sale consideration of HKD1.65 billion.

Total sale consideration shall be satisfied by cash of HKD500 million, new Zhuhai Holdings shares and deferred cash payment of HKD850 million from Promissory Notes.

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The Board is expected to disclose the detailed plan for the proposed utilisation of the deferred cash payment three months before the target receipt of each tranche of the deferred cash payment.

Cash proceeds of HKD500 million has been received on completion date. The status of the utilisation of cash proceeds of HKD500 million as at 31 March 2014, being the latest practicable date which shall not be earlier than 7 days from the date of issuance of interim financial report, was as follows:

|                                      | Note  | Proposed Utilisation | Proposed Utilisation | Actual Utilisation | Proceeds Balance | Deviation       |     | Intended Timeframe for Utilisation |
|--------------------------------------|-------|----------------------|----------------------|--------------------|------------------|-----------------|-----|------------------------------------|
|                                      |       | HKD'000              | RM'000               | RM'000             | RM'000           | RM'000          | %   |                                    |
| Potential investment                 | 1,2   | 174,376              | 73,046               | (43,875)           | 29,171           | -               | 0   | Within 1 year                      |
| Operating expenses                   | 1,2   | 58,125               | 24,349               | (11,615)           | 12,734           | -               | 0   | Within 1 year                      |
| Miscellaneous expenses               | 1,2   | 1,499                | 628                  | (62)               | 566              | -               | 0   | Within 1 year                      |
| Bank borrowings                      | 1,2,3 | 121,095              | 50,727               | (61,041)           | (10,314)         | (10,314)        | 20  | Within 1 year                      |
| Other payables or creditors          | 1,2   | 128,905              | 53,998               | (33,716)           | 20,282           | -               | 0   | Within 1 year                      |
| Expenses in relation to the disposal | 1,2   | 16,000               | 6,702                | (3,773)            | 2,929            | -               | 0   | Within 1 month                     |
| Dividend                             | 3     |                      |                      | (36,630)           | (36,630)         | (36,630)        | 100 |                                    |
| <b>Total</b>                         |       | <b>500,000</b>       | <b>209,450</b>       | <b>(190,712)</b>   | <b>18,738</b>    | <b>(46,944)</b> |     |                                    |

Note:

- 1) Adopted the exchange rate of HKD1.00 : RM0.4189, being the closing rate as at completion date published by Bank Negara.
- 2) The proceeds balance is expected to be utilised within the intended timeframe from the receipt of the proceeds.
- 3) Any shortfall in the funds allocated for bank borrowings and dividend will be funded from the funds allocated for other approved purposes as stipulated in the above utilisation table.
- 4) Any unutilised proceeds has been placed in short term deposits until such relevant expenses have been identified.

### 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 2013.

### 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.