

# Statement of Corporate Governance

The Board of Directors ('the Board') of LLCB is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of LLCB. To this end, the Board fully supports the recommendations of the Malaysian Code on Corporate Governance.

## THE BOARD OF DIRECTORS

### The Board

The Board assumes responsibility for leading and controlling the LLCB Group towards realising long term shareholders' values. The Board has the overall responsibility for reviewing and adopting strategic plans for the LLCB Group, overseeing the conduct of the LLCB Group's businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the LLCB Group's system of internal control. The Board represents the highest level of decision-making authority in LLCB.

The Board members were appointed based on their leadership experience, skills and knowledge of the relevant industry with commendable background to support their credibility.

During the financial year ended 31 December 2003, six (6) Board meetings were held. The Board members of the Company have complied with the minimum number of attendance at meetings stipulated by Bursa Malaysia Securities Berhad ('BMSB'). The attendance record of the Board members are set out under the profile of the Board members in the Annual Report.

The Board has delegated specific responsibilities to 3 sub committees (Audit, Nomination and Remuneration Committees), the details of which are set out below. These committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Directors have undergone the Mandatory Accreditation Programme ('MAP') and Continuing Education Programme ('CEP') prescribed by BMSB and will undergo relevant training on a continuous basis as prescribed by BMSB.

### Board Balance

The Board currently has 9 members, comprising three (3) Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors, one (1) Executive Vice Chairman, one (1) Managing Director and one (1) Executive Director. The Chairman is a Non-Independent Non-Executive Director. The profile of the members of the Board are provided in the Annual Report.

There is a clear responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman provides overall leadership to the Board and is responsible for ensuring Board effectiveness and conduct. The Managing Director is generally responsible over the operating units, organisational effectiveness and implementing Board policies and decisions.

Mr Danny Ng Siew L'Leong acts as the Senior Independent Non-Executive Director. Any concerns concerning the Group may be conveyed to him.

One-third of the Board comprise Independent Non-Executive Directors. The Independent Non-Executive Directors play a significant role in Board decision. They are free from any business or other relationship that could materially or adversely interfere with the exercise of their judgement and are individuals with the ability to exercise independent judgement. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

### Supply of and access to information and advice

All Board members are provided with a Board report containing relevant information and documents to enable the Directors to review the agenda items to be discussed at Board meetings and discharge their duties effectively.

The Directors have access to all information within the Company and to the advice and services of the Company Secretary, who is responsible for ensuring that the Board meeting procedures, applicable rules and regulations are adhered to.

Where necessary, the Directors may obtain independent professional advice in the furtherance of their duties, at the LLCB Group's expense.

### Appointments to the Board - Nomination Committee

The Nomination Committee was established on 29 May 2001 and comprised exclusively of Non-Executive Directors, a majority of whom are independent. The members of the Nomination Committee are currently as follows:-

Datuk Abdul Rashid Bin Abdul Manaff<sup>++</sup> – *Chairman*  
Danny Ng Siew L'Leong<sup>\*</sup>  
O Wai Tiong<sup>\*</sup>  
Yong Weng Fai<sup>\*</sup>

<sup>++</sup> *Non-Independent Non-Executive Director*  
<sup>\*</sup> *Independent Non-Executive Director*

One of the objectives of the Nomination Committee is to ensure that the Directors of the Board bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member. The Nomination Committee recommends to the Board suitable candidates for appointment as Directors and Board Committee members.

### Re-election

In accordance with the Company's Articles of Association, all Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election. Newly appointed Directors shall hold office until the next following annual general meeting and shall then be eligible for re-election.

Directors over 70 years of age are required to submit themselves for re-appointment at every annual general meeting in accordance with Section 129(6) of the Companies Act, 1965.

## DIRECTORS' REMUNERATION

### Remuneration Committee

The Remuneration Committee was established on 29 May 2001 and comprised wholly or mainly of Non-Executive Directors. Currently, the following are members of the Remuneration Committee:-

Datuk Abdul Rashid Bin Abdul Manaff\*\* – *Chairman*  
 Loh Kim Kah\*\*  
 Danny Ng Siew L'Leong\*  
 O Wai Tiong\*  
 Yong Weng Fai\*

++ *Non-Independent Non-Executive Director*  
 \*\* *Managing Director*  
 \* *Independent Non-Executive Director*

One of the objective of the Remuneration Committee is to set up the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Managing Directors, Executive Directors, the Chief Executive Officers and other selected top management positions with the aim to attract, retain and motivate individuals of the highest quality. Their remuneration package will be linked to corporate and individual performance.

The remuneration and entitlements of the Non-Executive Directors including the Non-Executive Chairman shall be a matter to be decided by the Board of Directors as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.

The Directors fees are subject to the approval of the shareholders of the Company at Annual General Meetings.

### Disclosure

The details of the remuneration of Directors of the Company comprising remuneration received from the Company and its subsidiary companies during the financial year ended 31 December 2003 are as follows:-

a) Aggregate remuneration of Directors who served during the financial year categorised into appropriate components:-

Category (RM)	Basic salary	Fees	Bonus	EPF	Benefits in kind	Total
<b>Received from the Company</b>						
Executive Directors	-	288,000	-	-	-	288,000
Non-Executive Directors	-	246,000	-	-	-	246,000
<b>Received from subsidiary companies</b>						
Executive Directors	972,000	-	162,000	136,080	78,750	1,348,830
Non-Executive Directors	-	54,000	-	-	-	54,000

b) Number of Directors who served during the financial year whose remuneration falls in each successive band of RM50,000:-

Range of Remuneration	Number of Director	
	Executive	Non-Executive
NIL	-	-
Below RM50,000	-	4
RM50,001 to RM100,000	-	2
RM400,001 to RM450,000	1	-
RM550,001 to RM600,000	1	-
RM600,001 to RM650,000	1	-

## SHAREHOLDERS

### Dialogue between the Company and investors

LLCB has always recognised the importance of an effective communication channel between the Board, shareholders and the general public.

The annual report, press releases, quarterly results and any announcements on material corporate exercise are the primary modes of disseminating information on the LLCB Group's business activities and financial performance.

At each annual general meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive Directors and where appropriate, the Chairman of the Audit, Nomination and Remuneration Committee are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide a written reply to any significant question that cannot be readily answered on the spot.

Each item of special business included in the notice of meeting will be accompanied by a full explanation of the effects of a proposed resolution.

In addition, the LLCB Group maintains a website at [www.loh-loh.com](http://www.loh-loh.com) which shareholders and the public can access for information on the LLCB Group.

## ACCOUNTABILITY AND AUDIT

### Audit Committee

The Audit Committee was established on 10 January 1997 to oversee the financial reporting and the effectiveness of the internal control of the LLCB Group. The Audit Committee comprises four (4) Directors, the majority of whom are independent. The composition of the Audit Committee, activities and terms of reference are set out in the Annual Report under the Audit Committee Report.

### Financial Reporting

The Board takes the responsibility for presenting a clear, balanced and comprehensive assessment of the LLCB Group's position and prospects in its presentation of the annual financial statements and quarterly announcements of its results.

The Board is responsible for ensuring the proper maintenance of accounting records of the LLCB Group and that financial reporting and disclosure are clearly completed to the highest standards. The Audit Committee scrutinise and reviews the financial statements of the Company and the LLCB Group with the assistance of the external auditors where necessary to ensure inter alia accuracy, adequacy and completeness, and recommends the same for consideration and approval by the Board.

A Statement of Directors' Responsibility for the audited financial statement is published separately in this Annual Report.

### Internal Control

The Board exercise overall responsibility for maintaining a system of internal control that aims to safeguard shareholders' investment and the LLCB Group's assets. A risk management system is being reviewed and enhanced to assist the Board in its decision making concerning the LLCB Group's exposure to risks, and the impact on the business and operations. However, the system is designed to manage rather than eliminate the risk of failure and can only provide reasonable assurance against material misstatement or loss.

The LLCB Group's Internal Audit provides independent and objective reports on the LLCB Group's management, records and controls to the Audit Committee. Internal Audits include evaluation of the processes by which risks are identified, assessed and managed and ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposure. The Internal Audit also ensures the recommendations to improve controls are followed through by the Management.

### Relationship with Auditors

The Board has established a formal and transparent relationship with the Auditors, both internal and external. The Auditors are invited to attend meetings on special matters where necessary. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board.

### Statement of Compliance with Best Practices of the Code

The Board considers that it has complied throughout the financial year with Best Practices as set out in the Code.

