

# statement of corporate governance

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The Board of Directors of Loh & Loh Corporation Berhad ('LLCB') is committed to achieving and maintaining high standards of corporate governance and effective application of the principles and best practices set out in the Malaysian Code on Corporate Governance ('the Code') throughout LLCB and its subsidiary companies as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial position of LLCB and the Group.

The Board is pleased to set out below the statement which outlines the main corporate governance practices of the LLCB Group:-

## THE BOARD OF DIRECTORS

The Board assumes responsibility for effective stewardship and control of the LLCB Group towards realising long term shareholders' value and has established terms of reference to assist in the discharge of this responsibility.

The Board has the overall responsibility for reviewing and adopting strategic plans for the 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 Company's systems of internal control. The Board consist of individuals from diverse professional backgrounds with a wide range of business, financial and legal experiences relevant to lead the Company, and as such, are able to bring an independent judgement to bear on issues in terms of business strategies, financial and operational performance, resources and standards of conduct.

The Board meets on a quarterly basis, with additional meetings convened as necessary. During the financial year ended 31 December 2008, seven (7) Board meetings were held. The Board members of the Company have complied with the minimum number of attendance at meetings as stipulated by the Listing Requirements of Bursa Malaysia Securities Berhad ('Bursa Securities'). Details of attendance are set out in the Statement Accompanying the Notice of the Thirteenth Annual General Meeting.

The Chairman ensures constructive and healthy debate at Board meetings by ensuring Directors are given the chance to freely express their views and opinions.

The Board has delegated specific responsibilities to three (3) subcommittees (Audit, Nomination and Remuneration Committees), all of which have terms of reference to govern their respective responsibilities. These Committees report to the Board with their recommendation. The ultimate responsibility for final decision on all matters, however, lies with the Board.

## A BALANCED BOARD

The Board currently has seven (7) members, comprises three (3) Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors and one (1) Managing Director/Chief Executive Officer. The Chairman is a Non-Independent Non-Executive Director. The profiles of the members of the Board are provided in the Annual Report.

Three (3) out of seven (7) of the Board members are Independent Non-Executive Directors. The Independent Non-Executive Directors play a significant role in Board decision making. 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.

The roles of the Chairman and Managing Director/Chief Executive Officer are distinct and separate to ensure a proper 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/Chief Executive Officer is generally responsible over the operating units, organisational effectiveness and implementing Board policies and decisions.

Mr Kuah Hun Liang has been identified as the Senior Independent Non-Executive Director to whom concerns may be conveyed where it could be inappropriate for these to be dealt with by the Chairman or the Managing Director/Chief Executive Officer.

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## SUPPLY OF INFORMATION

The Management of LLCB Group is responsible to provide the Board with all information and documents to enable the Directors to review the agenda items to be discussed at the Board meetings and discharge their duties effectively.

The members of the Board in their individual capacity have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Besides direct access to management staff, external professional advisers are also made available to render their independent views and advice to the Board, where necessary, in the furtherance of their duties and at the LLCB Group's expense.

All Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

## APPOINTMENTS TO THE BOARD

The Code endorses, as good practice, a formal procedure for appointment to the Board with a Nomination Committee making recommendations to the Board. The Nomination Committee was set up on 29 May 2001.

## NOMINATION COMMITTEE

The Nomination Committee comprises exclusively of Non-Executive Directors, a majority of whom are independent. The members of the Nomination Committee are currently as follows:-

- Kuah Hun Liang<sup>1</sup> *Chairman* (appointed on 19 September 2008)
- Tan Vern Tact<sup>2</sup> (appointed on 19 September 2008)
- Yong Weng Fai<sup>1</sup>
- Tan Sri Abdul Rashid bin Abdul Manaf<sup>2</sup> (resigned on 19 September 2008)
- Danny Ng Siew L'Leong<sup>1</sup> (resigned on 19 September 2008)
- O Wai Tiong<sup>1</sup> (resigned on 19 September 2008)

1 Independent Non-Executive Director

2 Non-Independent Non-Executive Director

One of the objectives of the Nomination Committee is to ensure that the Directors 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 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 every 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 seventy (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.

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## DIRECTORS' TRAINING

All members of the Board have undergone the Mandatory Accreditation Training Programme as prescribed by Bursa Securities and will undergo relevant training on a continuous basis.

The Company has a dedicated training budget for the Directors and Management personnel. Relevant seminars and training programme are arranged for Directors who may also request to attend training programmes of their choice.

The Directors will continue to attend relevant training programmes to further enhance their skills and knowledge and fully equip themselves to effectively discharge their duties.

## DIRECTORSHIPS IN OTHER COMPANIES

To ensure the effectiveness of the Board is maintained through focused commitment, resources and time, each of the Director holds not more than 10 directorships in public listed companies and not more than 15 directorships in other companies (non-listed companies) in compliance with the Listing Requirements of Bursa Securities. The disclosure on the directorships of each Director in other public companies are set out in the Profile of Directors section of the Annual Report.

## REMUNERATION COMMITTEE

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

- Kuah Hun Liang<sup>1</sup> *Chairman* (appointed on 19 September 2008)
- Tan Vern Tact<sup>2</sup> (appointed on 19 September 2008)
- Loh Kim Kah<sup>3</sup>
- Yong Weng Fai<sup>1</sup>
- Tan Sri Abdul Rashid bin Abdul Manaf<sup>2</sup> (resigned on 19 September 2008)
- Danny Ng Siew L'Leong<sup>1</sup> (resigned on 19 September 2008)
- O Wai Tiong<sup>1</sup> (resigned on 19 September 2008)

1 Independent Non-Executive Director

2 Non-Independent Non-Executive Director

3 Managing Director / Chief Executive Officer

One of the objectives 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 Director, Executive Directors, the Chief Executive Officer and other selected top management positions with the aim to attract, retain and motivate individuals of the highest quality. Their remuneration packages 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 the Annual General Meetings.

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## REMUNERATION OF DIRECTORS

The details of the remuneration of the Directors of the Company comprises remuneration received from the Company and its subsidiary companies during the financial year ended 31 December 2008 are as follows:-

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	—	137,500	—	—	—	137,500
Non-Executive Directors	—	295,250	—	—	—	295,250
<b>Received from Subsidiary Companies</b>						
Executive Directors	984,000	96,000	422,108	161,340	32,660	1,696,108
Non-Executive Directors	51,000	40,500	—	4,080	16,333	111,913

Number of Directors who served during the financial year whose remuneration falls in the following bands:-

RANGE OF REMUNERATION	NO. OF EXECUTIVE DIRECTORS	NO. OF NON-EXECUTIVE DIRECTORS
Below RM50,000	—	9
RM50,001 to RM100,000	—	3
RM350,001 to RM400,000	1	—
RM550,001 to RM600,000	1	—
RM850,001 to RM900,000	1	—

## INVESTOR RELATIONS

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.

Annual General Meetings and Extraordinary General Meetings represent the principal forum for dialogue and interaction with shareholders. At the meetings, the Board gives an overview of the progress and performance of the LLCB Group. Shareholders are encouraged to participate in the question and answer session whereat Directors, as well as the LLCB Group's Auditors and advisers are available to respond to the queries raised. In the event that an answer could not be readily given at the meeting, a written reply will be given to the shareholder concerned.

LLCB is committed in providing reliable and timely information to the market in respect of its business and operations, its financial conditions, strategies and future prospects. The above is aimed to enable investors and potential investors to make properly informed investment decisions and other stakeholders to have a better understanding of LLCB. In this regard and for the purpose of monitoring better control over disclosure, the Managing Director of LLCB has been designated as the spokesperson of the LLCB Group.

Each item of special business included in the notice of Annual General 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) for shareholders and the public to access information on the LLCB Group. The aforesaid website is updated regularly.

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## 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 three (3) 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 statements is published separately in this Annual Report.

### Internal Control

The Board exercises 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 in place 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 in-house 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 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 has taken steps to ensure that the LLCB Group has implemented as far as possible the Best Practices as set out in the Code.

Save for the disclosure of detail remuneration of each member of the Board of Directors, the Board considers that all other Best Practices have been substantially implemented in accordance with the Code.