

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) recognises the importance of practising and maintaining good corporate governance to direct the businesses of the Group towards enhancing business prosperity and long term value for its shareholders. The Board is fully committed in ensuring that the highest standard of corporate governance is practised and maintained throughout the Group as the underlying principle in discharging its responsibilities.

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance (“Code”). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2011 except where otherwise stated herein.

### 1. DIRECTORS

#### The Board

The Board is entrusted with the responsibility in leading and directing the Group towards realising long term shareholders’ values. The Board retains full and effective control of the Group’s strategic plans, overseeing the conduct of the Group’s businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Group’s system of internal control.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2011, seven (7) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors’ Profile section of this Annual Report.

#### Board Composition and Balance

The Board comprises seven (7) Directors, six (6) of whom are non-executive. The current Board composition complies with the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”). The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board’s stewardship.

Represented on the Board are four (4) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

The Group Chairman also assumes the position of the Group’s Managing Director. He brings with him a wealth of over 35 years of experience in the business operations of the Group and possesses the calibre to ensure that policies and strategies approved by the Board are effectively implemented. In view of the vast experience of the Group Chairman/Managing Director, the Board considers the departure from the recommended practice of separating the functions as appropriate under the present circumstances.

#### Board Committees

The Board delegates certain functions to several committees, namely the Audit Committee, Nomination Committee and Remuneration Committee to support and assist in discharging its fiduciary duties and responsibilities. The respective committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other committees delegated with specific authorities to act on its behalf whenever required. These committees operate under approved terms of reference or guidelines set out by the Board.

## **1. DIRECTORS (continued)**

### **Supply of Information**

The Board as a whole and in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and senior management of the Group and external advisers are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order to arrive at an informed decision.

Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and under appropriate circumstances, at the Company's expense.

The Company Secretaries advise the Board on their duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with in relation thereto. The Company Secretaries are also responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

### **Appointments to the Board**

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skills, experience and competency to be appointed to the Board and Board Committees to ensure the effectiveness of the Board. Newly appointed Directors will be given an orientation programme to familiarise themselves with the Group's operations to better understand the Group's businesses.

The process of assessing the Directors is an on-going responsibility of the Nomination Committee and the Board.

The members and terms of reference of the Nomination Committee are presented on page 20 of this Annual Report.

### **Re-election of Directors**

In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointment.

### **Directors' Training**

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme.

The Directors are also encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates.

## 1. DIRECTORS (continued)

### Directors' Training (continued)

During the financial year, the Directors had participated in the following seminars, forums, conferences and training programmes ("Programmes"):

Name of Directors	Programmes
Tan Sri William H.J. Cheng	<ul style="list-style-type: none"> <li>• Forum on "Activate Asia Insight Indonesia"</li> <li>• 2010 National Entrepreneurs Convention</li> <li>• Seminar on "Swiftlet Nest Farming Enterprise"</li> <li>• Forum on "Activate Asia: Vietnam in View"</li> <li>• Interaction Forum for Malaysian &amp; Taiwanese Chambers of Commerce on "Trade between Malaysia and Taiwan"</li> <li>• Malaysia - International Chinese Business Forum</li> <li>• Forum on "Fight Corruption by Business Community"</li> <li>• University Tunku Abdul Rahman: Entrepreneurial Experience Sharing</li> <li>• Interaction Forum with Students of University of Malaya on "Prospect and Opportunity of Future Career"</li> <li>• Seminar on "Goods and Services Tax in Malaysia"</li> <li>• Seminar on "How You Can Participate &amp; Benefit from Economic Transformation Programme"</li> <li>• Forum on "Family Business: The Next Generation"</li> <li>• The Associated Chinese Chambers of Commerce and Industry of Malaysia 4th Youth Conference on "Entrepreneurship"</li> </ul>
Tan Sri Cheng Yong Kim	<ul style="list-style-type: none"> <li>• Forum on "Activate Asia Insight Indonesia". Panel member for dialogue session</li> <li>• Seminar on "Business Opportunities in Malaysia"</li> <li>• 2010 The Boston Consulting Group Leaders' Forum Kuala Lumpur Adaptive Advantage - Winning in Turbulent Times</li> <li>• Trade and Investment Mission to Taiwan (Taipei &amp; Kaohsiung)</li> <li>• Forum on "Activate Asia: Vietnam in View"</li> <li>• Malaysia - International Chinese Business Forum</li> <li>• Malaysia-Korea Business Forum</li> <li>• Sustainability Programme for Corporate Malaysia - Industrial Products</li> <li>• Invest Malaysia 2011</li> <li>• Axiata 8th Asean Leadership Forum</li> <li>• Business Mission to Jakarta, Indonesia</li> </ul>
Datuk Emam Mohd Haniff bin Emam Mohd Hussain	<ul style="list-style-type: none"> <li>• Sustainability Programme for Corporate Malaysia - Industrial Products</li> <li>• Federation of Malaysian Manufacturers Leadership Luncheon Talk with Y. Bhg. Tan Sri Rafidah Aziz on "Malaysia Competitive Strength &amp; Resilience"</li> </ul>
Datuk Mohd Yusof bin Abd Rahaman	<ul style="list-style-type: none"> <li>• Modules of Financial Institutions Directors' Education Programme by Bank Negara Malaysia</li> <li>• Seminar on "Financial Industry Conference"</li> <li>• Sustainability Programme for Corporate Malaysia - Industrial Products</li> <li>• Bursa – "The Board Responsibility for Corporate Culture - Selected Governance Concerns and Tools for addressing Corporate Culture and Board Performance"</li> </ul>

## 1. DIRECTORS (continued)

### Directors' Training (continued)

Name of Directors	Programmes
Datuk Karownikaran @ Karunikaran A/L Ramasamy	<ul style="list-style-type: none"> <li>• Global Investment Performance Standards (GIPS)</li> <li>• Director's Induction Training Programme (Part 1) on "Overview of the Operation, Finance, Sales &amp; Marketing and Business Human Resource Section"</li> <li>• Bursa – Governance Programme on "Assessing the risk and control environment"</li> <li>• Invest Malaysia Conference on "Exploring the Investment Opportunities in Malaysia"</li> <li>• Director's Induction Training Programme (Part 2) on "Introduction of Compliance and Internal Audit Function and Risk Management Overview"</li> <li>• Economic Council Working Group Roundtable Discussion in relation to Strategy Package for Budget 2012 - Presentation on "Strategies to Promote Domestic Enterprise Growth"</li> <li>• Board Risk Committee Program on "Managing Risks in Financial Institution"</li> <li>• Briefing on "Fund Management &amp; Financial Products"</li> <li>• Discussion on various boardroom issues ranging from Corporate Governance and Risk Management in the Financial Industry</li> </ul>
Folk Fong Shing @ Kok Fong Hing	<ul style="list-style-type: none"> <li>• Bursa Malaysia Evening Talks on Corporate Governance: Risk Management: Things Can Still Go Wrong</li> <li>• Sustainability Programme for Corporate Malaysia - Industrial Products</li> <li>• Federation of Malaysian Manufacturers Leadership Luncheon Talk with Y. Bhg. Tan Sri Rafidah Aziz on "Malaysia Competitive Strength &amp; Resilience"</li> </ul>
M. Chareon Sae Tang @ Tan Whye Aun	<ul style="list-style-type: none"> <li>• 2010 National Entrepreneurs Convention</li> <li>• Forum on "Fight Corruption by Business Community"</li> <li>• Seminar on "How You Can Participate &amp; Benefit from Economic Transformation Programme"</li> <li>• Seminar on "Succession of Family Business"</li> </ul>

In addition, the Company would arrange site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

The Directors are also updated on a continuing basis by the Company Secretaries on new and/or revised requirements to the Listing Requirements as and when the same were advised by Bursa Securities ("Continuing Updates").

The Board views the aforementioned Programmes attended and/or participated by the Directors, and the Continuing Updates provided to the Directors as adequate to enhance the Directors' skills and knowledge to carry out their duties as Directors.

The Board will, on a continuing basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

## 2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 20 of this Annual Report.

Directors' fees are recommended by the Board for the approval by shareholders of the Company at the annual general meeting.

For confidentiality, the details of the Directors' remuneration are not disclosed for each individual Director. The transparency and accountability aspects of corporate governance applicable to Directors' remuneration recommended by the best practices of the Code are deemed appropriately served by the disclosures in the ensuing paragraphs.

The aggregate remuneration of Directors who served during the financial year ended 30 June 2011 are categorised as follows:

	<b>Fees RM'000</b>	<b>Salaries &amp; Other Emoluments RM'000</b>	<b>Total RM'000</b>
Executive Director	24	1,178	1,202
Non-executive Directors	210	–	210
	<u>234</u>	<u>1,178</u>	<u>1,412</u>

The number of Directors whose total remuneration fall into the respective bands are as follows:

<b>Range of Remuneration (RM)</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Non-executive</b>
25,000 & below	–	1
25,001 – 50,000	–	5
1,200,001 – 1,250,000	1	–

## 3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The annual general meeting is the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session in which shareholders may raise questions regarding the proposed resolutions at the meeting as well as on matters relating to the Group's businesses and affairs. The Chairman and the Board members are in attendance to respond to shareholders' queries.

The Group also values dialogues with institutional investors, fund managers and analysts. The Group has been practising open discussions with investors/fund managers/analysts upon request. In this regard, information is disseminated with strict adherence to the disclosure requirements of Bursa Securities.

The Company's homepage at [www.lion.com.my/lioncor](http://www.lion.com.my/lioncor) provides easy access to corporate information pertaining to the Group and its activities.

The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the Board.

#### **4. ACCOUNTABILITY AND AUDIT**

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises five (5) Directors, majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 16 to 19 of this Annual Report.

##### **Financial Reporting**

The Board aims to present a balanced and clear assessment of the Group's position and prospect to the Company's shareholders through the annual financial statements and quarterly announcements. The Board is also responsible in ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group and of the Company.

##### **Directors' Responsibility in Financial Reporting**

The Board is satisfied that for the financial year ended 30 June 2011, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

##### **Internal Control**

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 15 of this Annual Report.

##### **Relationship with the Auditors**

The Board has established a formal and transparent relationship with the auditors. 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. While the internal auditors attend all meetings of the Audit Committee, the external auditors meet with the Audit Committee at least twice a year and attend the annual general meeting of the Company.