

**LNG RESOURCES BERHAD**  
(Company No. 582043-K)  
(Incorporated in Malaysia)

**A. THE BOARD OF DIRECTORS**

**I. Composition**

The present Board is headed by the Chairman, and comprises:-

- 2 Executive Directors;
- 1 Non-Independent Non-Executive Director; and
- 3 Independent Non-Executive Directors.

This composition complies with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad whereby the Company must have at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

In the event of any vacancy in the Board resulting in the non-compliance with the above, the Company must fill the vacancy within three (3) months. The Board is of the opinion that the interests of shareholders of the Company are fairly represented by the current Board composition and its size constitutes an effective Board of the Company.

**II. Board Balance**

The Board's composition represents members from diverse disciplines, tapping on their respective qualifications and experiences in business, commercial, finance and legal aspects. The Directors, with their wide spectrum of experience, skills and knowledge give added strength to the leadership which is necessary for the effective stewardship of the Group.

The presence of the three (3) Independent Non-Executive Directors is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

**III. Board Responsibilities**

The Board's principal duty is to act in the best interests of the Group and its shareholders and is ultimately responsible for the performance of the Group. In carrying out this pivotal role, the Board assumes the following specific responsibilities:

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- Developing and implementing an investor relation programme or shareholder communication policy for the Company; and

**LNG RESOURCES BERHAD**  
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**III. Board Responsibilities (Continued...)**

- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Group practises a division of responsibilities between the Non-Independent Non-Executive Chairman and the Executive Directors. Their roles are separated and clearly defined to ensure a balance of power and authority.

The Chairman is responsible for the Board's effectiveness and conduct whilst the Executive Directors are in charge of the day-to-day operations of the business, making strategic business decision and implementing Board policies.

The roles of the Independent Non-Executive Directors are to ensure that strategies proposed by the Executive Directors and management are fully reviewed and examined. No individual dominates the Board's decision making. The Board reserves appropriate strategic, financial and organisational matters for its collective decision.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element of the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors and such concerns will be reviewed and addressed by the Board accordingly.

**IV. Board Meetings**

The Board governs the operations of the Group. The Board meets regularly, at least once every quarter and with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk management systems.

All proceedings of the Board meetings are minuted.

**LNG RESOURCES BERHAD**  
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**V. Supply of Information**

Prior to each Board meeting, an agenda together with the relevant documents and information are distributed to all Directors. All Directors, whether as a full Board or in their individual capacity have access to all information of the Group on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities. In exercising their duties, the Directors have access to the advice and services of the Company Secretary and are also entitled to obtain professional opinions or advice from external consultants when the need arises. The Directors will appoint as secretary, someone who is capable of carrying out the duties to which the post entails, and his removal should be a matter for the Board as a whole. The Chairman of the Board is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.

Periodic briefings on the industry outlook and Group performance are also conducted for the Directors to ensure that the Board is well informed on the Group's operational, financial and corporate issues.

**VI. Board Committees**

The Board, in discharging its fiduciary duties, is assisted by the four (4) Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee each entrusted with specific tasks and operates within clearly defined terms of reference approved by the Board.

All Board Committees shall report to the Board and the Board retains the overall responsibility for monitoring activities undertaken by the Board Committees.

**a) Audit Committee**

The Audit Committee is tasked to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to accounting and reporting practices, and systems of internal control of the Group.

The roles and responsibilities of the Committee are stipulated as follows:

- a. To recommend the nomination of and to consider the appointment or re-appointment of the external auditors, the audit fee and questions of resignation or dismissal;
- b. To discuss with the external auditors before the annual audit commences, the nature and scope of the audit plan;
- c. To discuss with the external auditors problems and reservations arising from the final and any interim audits, evaluation of the system of internal controls and any matters the external auditors may wish to discuss including assistance given by the employees of the

**LNG RESOURCES BERHAD**

(Company No. 582043-K)

(Incorporated in Malaysia)

Group to the auditors; and to review the auditors' audit report, management letter and management's response;

- d. To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary;
- e. To consider any related party, inter-company transactions and conflict of interest that may arise within the Company/Group and any related parties outside the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- f. To review the quarterly, and annual financial statements of the Company and the Group prior to the approval by the Board of Directors, focusing particularly on:
  - i. Any changes in or implementation of major accounting policy changes.
  - ii. Significant and unusual events.
  - iii. Significant adjustments arising from the audit.
  - iv. The going concern assumption.
  - v. Compliance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and other legal requirements.
  - vi. The accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group.
- g. To do the following, in relation to the internal audit function:
  - i. Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.
  - ii. Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
  - iii. Review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal.
- h. The Chairman of the Committee should engage on a continuous basis with senior management, internal auditors as well as the external auditors in order to be kept informed of matters affecting the Group;
- i. To review the application of Corporate Governance principles and the extent of the Group's compliance with the Recommendations set out under the Malaysian Code on Corporate Governance 2012;
- j. To consider all areas of significant financial risks and arrangements in place to contain those risks to acceptable levels;
- k. To verify the allocation of options pursuant to the ESOS at the end of each financial year as being in compliance with the criteria which are disclosed to the employees; and

**LNG RESOURCES BERHAD**  
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(Incorporated in Malaysia)

1. Such other functions as may be agreed by the Audit Committee and the Board of Directors.

**b) Nominating Committee**

The Nomination Committee was established to assist the Board in recommending appointment of new Directors and assessing the effectiveness of the Board.

The role and responsibilities of the Nominating Committee are as follows:

- to identify and recommend to the Board suitable candidates for appointment to the Board and Board Committees. In making its recommendations, the Committee should consider the candidates' skills, knowledge, expertise and experience; professionalism; integrity; and in the case of candidates for the position of Independent Non-Executive Directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- to assess the effectiveness of the Board as a whole, its Committees and the contribution of each Director, including Independent Non-Executive Directors on an annual basis;
- to review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to consider in making its recommendations, candidates for directorships proposed by senior executive or any director or shareholder;
- to assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board; and
- to recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation.

The Board is entitled to the services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory requirements.

*Re-election of Directors*

In accordance with the Company's Articles of Association, all Directors are subject to re-election by shareholders at the Annual General Meeting following their appointment. At least one-third (1/3) of the remaining Directors shall retire from office at each Annual General Meeting at least once in every three (3) years, but shall be eligible for re-election.

**LNG RESOURCES BERHAD**  
(Company No. 582043-K)  
(Incorporated in Malaysia)

*Directors' Training*

The Board of Directors will assume the onus of determining or overseeing the training needs for Directors. In this respect, the Directors are encouraged to attend various external professional programmes deemed necessary in order to keep abreast with the latest developments in the market place, advances in corporate governance and to further enhance their skill and knowledge to enable them to discharge their duties as Directors in an effective manner.

**c) Remuneration Committee**

The Remuneration Committee is responsible for recommending to the Board on the remuneration framework as well as the remuneration package of Executive Directors to ensure that rewards commensurate with their contributions to the Group's growth and profitability in order to align the interest of the Directors with those of the shareholders. The Committee also ensures the level of remuneration for Non-Executive Directors and Executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.

The Company's remuneration policy for Directors is formulated to attract and retain individuals of the necessary calibre needed to run the business of the Group successfully. The remuneration is structured to link experience, expertise and level of responsibility undertaken by the Directors. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.

**d) Risk Management Committee**

The Risk Management Committee (RMC) is formed to closely monitor the Group's risk profile. The RMC will review and recommend to the Board the type and level of business risks of LNG Group and the appropriate framework and policies for managing such risks. The RMC reviewed and assessed the Group's Risk Register on quarterly basis and tabled the details RMC report to the AC and the Board on half yearly basis.

The main functions and duties of the RMC shall include, but are not limited to:

- (i) Provide oversight, direction and counsel to the Group risk management process which includes:
- Monitoring the Group and Divisional level risk exposures and management of the significant risks identified.
  - Evaluating new risks identified.
  - Reviewing the Group Risk Profile and ensuring that significant risks are being responded to appropriately.

## **LNG RESOURCES BERHAD**

(Company No. 582043-K)

(Incorporated in Malaysia)

- Reviewing the status of the implementation of management action plans in mitigate significant risks identified.
- (ii) Establish Group risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them.
- (iii) Meets with senior management on a quarterly basis to discuss and deliberate on the significant risks affecting the Group. During the meetings, all risks facing each operation and department are discussed in detail within the context of the business objectives and strategy. Status of corrective actions is tabled for comments by the relevant staff. Various ideas and suggestions are tabled for improvement of areas of concern.
- (iv) Recommend for the AC and Board's approval the Group's risk management policies, strategies and risk tolerance levels, and any proposed changes thereto.
- (v) Evaluate the effectiveness of the risk management processes and support system to identify, assess, monitor and manage the Group's key risks.
- (vi) Review investment proposals considered significant including:
  - New lines of business (defined as businesses outside existing sectors, expansion across industry value chains within current sectors and new franchises); or
  - New territories and countries (defined as expansion of existing businesses into new markets/territories).

### **C. ACCOUNTABILITY AND AUDIT**

#### **I. Financial Reporting**

The Board aims to present a balanced and understandable assessment of the Group's position and prospects in the annual and quarterly reports and other published information. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the accuracy, adequacy and completeness of its financial reports. The financial statements have been prepared in conformity with Financial Reporting Standards issued by the Malaysian Accounting Standards Board and in accordance with the provisions of the Companies Act, 1965 in Malaysia.

#### **II. Directors' Responsibilities Statement in respect of the Audited Financial Statements**

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the year then ended. In preparing the financial statements, the Directors have adopted suitable accounting

**LNG RESOURCES BERHAD**  
(Company No. 582043-K)  
(Incorporated in Malaysia)

policies and applied them consistently, and made estimates and judgements which are reasonable and prudent. The Directors are also responsible to take reasonable steps to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

**III. Internal Control**

The Board acknowledges its responsibilities for the Group's systems of internal control covering not only financial controls but also operational and compliance controls as well as risk management. With the assistance of the internal audit function, the Audit Committee and the Board review the effectiveness of key internal controls on an ongoing basis, provides its perspective on management control and ensures that the necessary corrective actions are taken on a timely basis.

**IV. Relationship with the Auditors**

The Board, via the Audit Committee, maintains a formal and transparent relationship with the Group's external auditors in seeking valuable professional advice and in ensuring compliance with Financial Reporting Standards issued by the Malaysian Accounting Standards Board in Malaysia. The Audit Committee meets up with the external auditors at least twice a year to review audit plans and discuss any audit findings and issues requiring attention.

**D. SHAREHOLDERS**

**I. Dialogue between Company and Investors**

The Board recognises the importance and need for shareholders to be informed of all material development and performance of the Group. The information is disseminated through annual reports, circulars to shareholders, press releases, quarterly reports and announcements made from time to time via Bursa Malaysia Securities Berhad ("Bursa Securities").

In addition, the Company's website at [www.lng-res.com](http://www.lng-res.com) provides information on the Group's business, corporate development and announcements to Bursa Securities. Other information relevant to shareholders and investors such as share price volume history, technical charting, annual reports, circulars and quarterly reports are available for download at the Company's website.

**II. Annual General Meeting**

The Annual General Meeting serves as a principal forum for dialogue with the shareholders. At the meeting, shareholders are given the opportunity to seek clarifications or raise questions on relevant and pertinent matters.