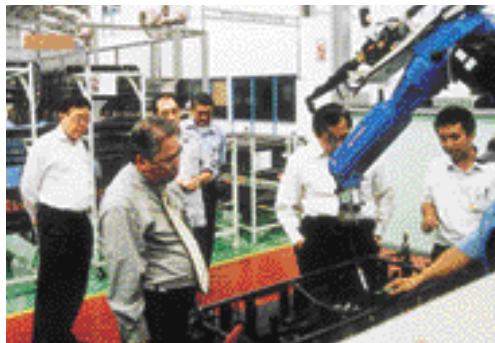


## Corporate Calendar



◀ APRIL 2002

Official opening ceremony of P.T. APM Armada Autopart factory in Magelang, Indonesia by Mr. David Herman Jaya, President Director of P.T. Mekar Armada Jaya.

▶ APRIL 2002

Signing of Technical License and Assistance Agreement between APM Air-Conditioners Sdn Bhd and Halla Climate Control Corporation of Korea for automotive heat exchange systems.



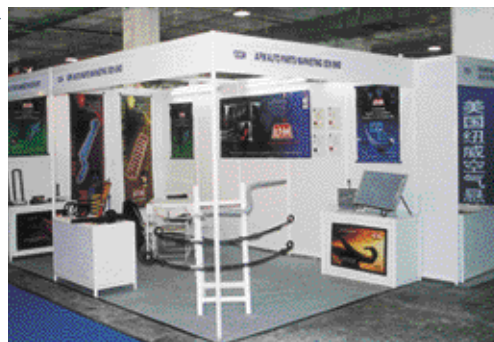
◀ APRIL 2002

Official signing ceremony of joint venture agreement with Hefei Winking Assets Co. Ltd. (China) to manufacture automotive seats in China.



▶ JUNE 2002

APM exhibition booth at the Auto China 2002 exhibition in Beijing, China.



▶ AUGUST 2002

New automated parabolic leaf spring line commissioned by APM Springs Sdn Bhd.



◀ SEPTEMBER 2002

Participation at AutoMechanika exhibition in Frankfurt, Germany



▶ SEPTEMBER 2002

Official opening ceremony of Fuji Seats (Malaysia) Sdn Bhd factory in Bukit Beruntung, Selangor by Mr. Susumo Yamada, President of Fuji Seats Co. Ltd., Japan.

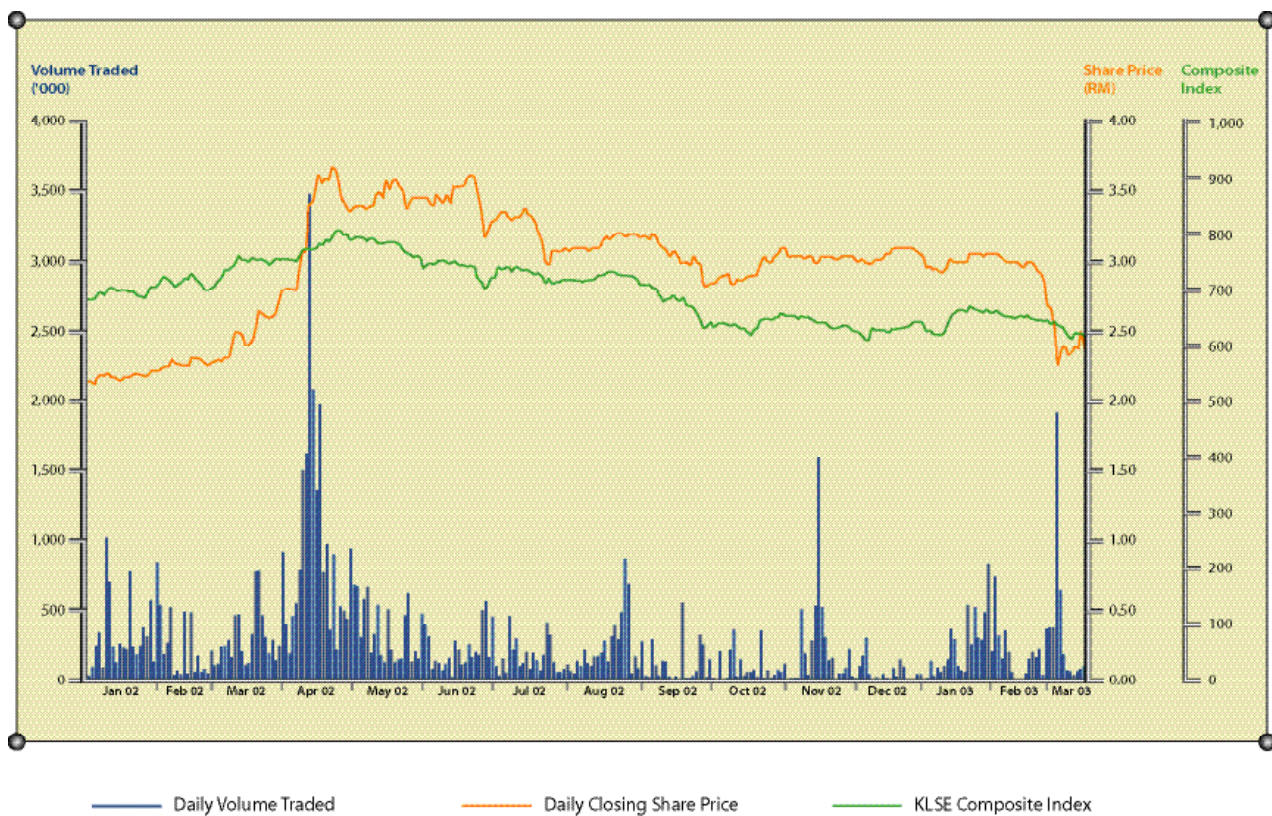


◀ OCTOBER 2002

Launching of SMS and E-catalogue by Auto Parts Marketing Sdn Bhd.



## Share Price and Volume Traded



## Profile of the Board of Directors

**Dato' Tan Heng Chew, DJMK, JP**, 56, a Malaysian, is a Non-Executive Non-Independent Director. He was the first Director of the Company when it was incorporated on 26 March 1997 and was appointed the Chairman of the Board on 1 November 1999.

Dato' Tan graduated from the University of New South Wales, Australia with a Bachelor of Engineering (Honours) degree and a Masters degree in Engineering from the University of Newcastle, Australia. He joined the Tan Chong Motor Holdings Berhad Group of Companies in 1970 and was instrumental in the establishment of its Autoparts Division in the 1970s and early 1980s.

Dato' Tan sits on the Board of Tan Chong Motor Holdings Berhad as Executive Deputy Chairman and is the Chairman of Warisan TC Holdings Berhad. He is also a Director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. Dato' Tan has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

**Mr. Koo Sian Chu**, 59, a Malaysian, is an Executive Director. He was appointed to the Board on 25 September 1999 and is a member of the Audit Committee.

Mr. Koo graduated from the University of Malaya with a Bachelor's degree (Honours) in Economics in 1971. Mr. Koo was with MIDA for a total period of 15 years. He had served on a number of overseas missions for MIDA, promoting Malaysia's investment opportunities and development potential to foreign investors. His last posting with MIDA was in Tokyo where he held the position of Overseas Director. He joined the Autoparts Division of Tan Chong Motor Holdings Berhad (TCMH) Group in 1985 as an Executive Director of one of the companies. With the re-structuring of the TCMH Group resulting in the emergence of the Company in 1999, Mr. Koo was appointed an Executive Director of the Company.

**Encik Azman bin Badrillah**, 55, a Malaysian, is an Executive Director. He was appointed to the Board on 1 November 1999.

Encik Azman graduated with a degree in Economics from the University of Malaya in 1971. He joined Bank of America and had risen to the position of Assistant Vice-President when he left 11 years later. His service with Bank of America included a period spent with the international operations of the Bank. Encik Azman joined Tan Chong Motor Holdings Berhad (TCMH) Group in 1983 as an Executive Director of its manufacturing division and was

responsible for the overall performance of one of its key product groups. With the re-structuring of the TCMH Group resulting in the emergence of the Company in 1999, Encik Azman was appointed an Executive Director of the Company.

Encik Azman sits on the Board of Tan Chong Motor Holdings Berhad and Eco Resources Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

**Dato' N. Sadasivan s/o N.N. Pillay**, 63, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 1 November 1999 and is the Chairman of the Audit Committee.

Dato' Sadasivan graduated from the University of Malaya with a Bachelor of Arts (Honours) degree majoring in Economics in 1963. In the same year, Dato' Sadasivan commenced working for the Singapore Economics Development Board and was head of the Industrial Facilities Division when he left to join MIDA in 1968. He was with MIDA for a total of 27 years and became its Director-General in 1984. Dato' Sadasivan sits on the boards of Bank Negara Malaysia and Pengurusan Danaharta Nasional Berhad.

Dato' Sadasivan is also a Director of Chemical Company of Malaysia Berhad, Petronas Gas Berhad, Leader Universal Holdings Berhad, Amanah Capital Partners Berhad and Malaysian Airline System Berhad.

**Dato' Haji Kamaruddin @ Abas bin Nordin, KMN, DSSA**, 64, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 1 November 1999 and is a member of the Audit Committee.

Dato' Haji Kamaruddin graduated from the University of Canterbury, New Zealand with a Master of Arts degree majoring in Economics in 1966. He joined the civil service upon his graduation and served the Government until he retired in 1993. During his tenure with the civil service he held various senior positions, among them as Director, Industries Divisions in the MITI, Deputy Secretary General, Ministry of Works and Director-General of the Registration Department, Ministry of Home Affairs.

Dato' Kamaruddin is a Director of Tan Chong Motor Holdings Berhad and Lion Land Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

**Mr. Tan Eng Soon**, 54, a Singaporean and a Malaysian Permanent Resident, is a Non-Executive Non-Independent Director. He was appointed to the Board on 1 November 1999.

Mr. Tan has a degree in Civil Engineering from the University of New South Wales, Australia. He has been involved in the Tan Chong Motor Holdings Berhad Group's operations since 1971.

Mr. Tan is the Group Managing Director of Tan Chong Motor Holdings Berhad and is a Director of Warisan TC Holdings Berhad. He is also a Director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company.

He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

**Mr. Tan Eng Hwa**, 48, a Malaysian, is a Non-Independent Non-Executive Director. He was appointed to the Board on 1 November 1999.

Mr. Tan graduated from the University of Birmingham with a Bachelor of Commerce degree. He was with the Tan Chong Motor Holdings Berhad Group as Treasurer and also was involved in various department functions within the Group. He is now a businessman with interests in property and other investments.

Mr. Tan is a Director and shareholder of Tan Chong Consolidated Sdn Bhd, a major shareholder of the Company. He has abstained from deliberation and voting in respect of transactions between the Group and related parties involving himself.

**Encik Ahmad bin Abdullah**, 68, a Malaysian, is a Non-Independent Non-Executive Director. He was appointed to the Board on 1 November 1999.

Encik Ahmad received his law degree from the University of Hull in the United Kingdom in 1959. He was appointed by the Yang Di-Pertuan Agong to the constitutional post of Secretary of the Malaysian Parliament where he served from 1959 until 1972 during which period he also represented Malaysia on various international bodies. He joined the Tan

Chong Motor Holdings Berhad Group in 1975 as an Executive Director of a subsidiary involved in marketing.

Encik Ahmad is the Vice-Chairman of Tan Chong Motor Holdings Berhad. He has abstained from deliberating and voting in respect of transactions between the Group and related parties involving himself.

**Encik Mohd. Sharif Haji Yusof**, 63, a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 1 September 2001 and is a member of the Audit Committee.

Encik Mohd. Sharif is a Fellow Member of the Institute of Chartered Accountants, England and Wales, an Associate Member of the Malaysian Institute of Accountants and a Member of the Malaysian Association of Certified Public Accountants. He has had more than 20 years experience in government and financial sectors, serving the Selangor State Government, Bumiputra Merchant Bankers Berhad and thereafter British American Life & General Insurance Co. Bhd where he held the position of Senior Vice President, Finance/Company Secretary at the time he retired.

Encik Mohd Sharif is a Director of Amanah Capital Malaysia Berhad, Amanah Capital Partners Berhad, Amanah Short Deposit Berhad, Amanah General Insurance Berhad, Asia Unit Trust Berhad, Ireka Corporation Berhad, Malayawata Steel Berhad, Amal Assurance Berhad and Kemayan Corporation Berhad.

**Dr. Fun Woh Peng**, 44, a Malaysian, was appointed to the Board on 15 January 2003 as an Executive Director.

Dr. Fun holds a PhD. in Electrical Engineering from the University of Texas in Austin, USA. He joined the Autoparts Division of Tan Chong Motor Holdings Berhad in 1997 as General Manager for business development as well as of the seats and trim parts business. His prior experience includes several years with the Ford Motor Company, Ford International Business Development Inc. and Ford-Mazda Audio, USA.

Except for Dato' Tan Heng Chew, Messrs. Tan Eng Soon and Tan Eng Hwa, who are brothers, none of the other Directors have any family relationship with any other Director and/or major shareholders of the Company.

None of the Directors have any conflict of interest in any business arrangement involving the Company, nor have any convictions for offences within the past 10 years.

A summary of Directors attendance at board meetings held in 2002 is set out on page 19.



# Statement on Corporate Governance

## THE CODE

In its commitment to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance, the Board of Directors wishes to report on the Group's application of the Principles and the extent of compliance with the best practices as set out in the Malaysian Code on Corporate Governance ("the Code").

## APPLICATION OF PRINCIPLES

### A. Directors

#### I. The Board

The business of the Company and the Group is managed by the Board of Directors, which is responsible in ensuring that the Group is properly managed to achieve expected long-term improvement in shareholder value.

The Board has a formal schedule of matters for discussion on broad policy decisions, including the approval of interim and annual results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to Board Committees, officers and line management.

There were seven Board meetings held during 2002 and the attendance of the Directors at these meetings were as follows:

Dato' Tan Heng Chew	6/7
Azman bin Badrillah	7/7
Koo Sian Chu	7/7
Ahmad bin Abdullah	7/7
Tan Eng Soon	5/7
Tan Eng Hwa	7/7
Dato' N. Sadasivan	6/7
Dato Kamaruddin @ Abas bin Nordin	7/7
Mohd. Sharif bin Haji Yusof	7/7

Dr. Fun Woh Peng who was appointed to the Board after the financial year and attended four of the seven meetings held in 2002 as an invitee of the Board.

#### II. Board Composition

The Board has 9 members as at 31 December 2002: a Non-Executive Chairman, three Executive Directors and six other Non-Executive Directors, 3 of whom are Independent Directors.

No individual or group of individuals dominates the Board's decision making. The roles of the Chairman and the Executive Directors are separate and clearly defined. The Non-Executive Chairman is responsible for the effectiveness and proper conduct of the Board whilst the Executive Directors are responsible for the operations of the business units and implementation of Board decisions and policies.

The Directors have wide ranging experience and all have occupied or currently occupying senior positions in industry or government. The profiles of the Board members are set out on pages 17 to 18.

All the Non-Executive Directors are independent of management and have no relationships, which could materially interfere with the exercise of their independent judgment.

Dr. Fun Woh Peng was appointed an Executive Director on 15 January 2003. Dr. Fun who was previously the General Manager for business development and also of the seat and trim parts business of the Group currently heads the Group's Car Interiors operations.

#### III. Supply of information

Board members are provided with appropriate documentation in advance of each Board and Committee meeting. For Board meetings these documents may include reports on current trading and business issues from the Executive Directors, Heads of Operations and/or the Group Financial Officer, financial reports, proposals for capital expenditures, proposals for acquisitions and disposals as well as proposals for senior executive appointments. In addition to formal Board meetings, the Chairman and Executive Directors also maintain regular contact with all other Directors and hold informal meetings with the Non-Executive Directors to discuss issues affecting the Group.

Whenever deemed necessary, senior management below Board level are invited to attend Board meetings to present the financial performance, strategies and other proposals affecting their business units.

The Board has approved an agreed procedure for Directors to seek independent professional advice when necessary at the Company's expense. Directors have direct access to the advice and the services of the Company Secretaries who are responsible for ensuring that Board procedures are followed.

**IV. Appointments to the Board**

The Board is of the view that proposals for new appointments and the assessment of the contributions of on-going Directors would be more effective by drawing on the wealth of experience of all Directors, and as such, a nomination committee is currently not required. Hence, the role of appointing new Directors and the assessment of existing Directors is performed by the Board as a whole when necessary and appropriate.

**V. Re-election**

The names of the Directors at the date of this Report, together with their profiles are set out on pages 17 to 18. All the Directors held office throughout the year except for Dr. Fun Woh Peng who was appointed on 15 January 2003.

The Company's Articles of Association provide that at every Annual General Meeting of the Company, one-third of the Directors shall retire from office and that all Directors shall retire from office once at least in each three years, but shall be eligible for re-election. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. Any Director appointed by the Board shall hold office only until the following Annual General Meeting but shall not be taken into account in determining the Directors or the numbers of Directors who are to retire by rotation at that meeting. The Board may from time to time appoint one or more of its number to any executive office for such period and on such terms as it thinks fit.

Non-Executive Directors are not appointed for a specific term and are subject to re-election by shareholders at the next Annual General

Meeting following their appointment, or to re-election in accordance with the Company's Articles of Association.

**B. Directors' Remuneration****Remuneration Committee**

The Board is of the view that remuneration guidelines formulated by drawing upon the wealth of experience of all the Directors on the Board would be more effective and therefore a remuneration committee is currently not required. Consequently, this role will be performed by the Board as a whole when necessary and as appropriate.

Essentially, the key principles and procedures in remunerating the executive employees below Board level are also applicable to the Executive Directors. The remuneration policy of the Group essentially seeks to attract, retain and motivate all levels of employees to contribute positively to the Group's performance.

The guidelines on bonuses in respect of 2002 and annual increment for 2003 in respect of executive employees of the Group were recommended for Board's approval by committees whose members included senior heads of operations below Board level. The quantum of the annual performance bonus was dependent on the operating results of the Group after taking into account the prevailing business conditions. The same guidelines were also applied to the Executive Directors.

**Fees for Non-Executive Directors**

The remuneration of each of the Non-Executive Directors is determined by the Board as a whole within the limits set by the Articles of Association. The Non-Executive Directors do not participate in the discussions relating to their remuneration.

Directors' remuneration in aggregate with categorisation into appropriate components distinguishing between Executive and Non-Executive Directors during the year, are as follows:

	EXECUTIVE DIRECTORS RM'000	NON-EXECUTIVE DIRECTORS RM'000
Directors' fees	-	144
Salaries and allowances	715	-
Bonuses	436	-
Benefits-in-kind	38	-
<b>Total</b>	<b>1,189</b>	<b>144</b>

The number of Directors whose remuneration falls in the following successive bands of RM50,000 is as follows:

	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
Nil	-	4
Up to RM50,000	-	4
RM500,001 – RM550,000	1	-
RM650,001 – RM700,000	1	-
Total	2	8

## C. Relations with Shareholders

### I. Dialogue between Companies and Investors

During the year, the Company held several group and individual meetings with institutional shareholders and investment communities with the view of fostering greater understanding of the Group's business.

The Group's announcements of quarterly results are available from the KLSE website and serve to keep shareholders informed of the Group's performance and financial position on a timely basis.

### II. The AGM

The Fifth Annual General Meeting ("AGM") of the Company was held on Wednesday, 29 May 2002 at the Grand Ballroom, Grand Seasons Hotel, Kuala Lumpur. It was attended by shareholders comprising registered individuals, proxies and corporate representatives, whose total shareholdings represented 62.61% of the issued share capital.

During the course of the AGM, a forum was made available for the shareholders present to raise questions or issues regarding the Group's performance and financial position. The questions or issues raised were appropriately addressed by the Directors before the Annual Report and financial statements were received and approved by the shareholders. The Company maintains a cordial and informal relationship with all its shareholders.

## D. Accountability and Audit

### I. Financial Reporting

The Board has presented a balanced and understandable assessment of the Group's financial position and prospects in the various financial reports contained in the Annual Report to the shareholders.

The quarterly announcements of results and the Annual Report were reviewed by the Audit Committee before Board's approval and release to the KLSE/public.

### II. Internal Control

The Statement on Internal Control as set out on page 23 of the Annual Report provides an overview of the state of internal controls within the Group.

### III. Audit Committee and Auditors

The Board of Directors has established an Audit Committee. The membership of this Committee, a summary of its terms of reference and its the activities' report of the Audit Committee are set out on pages 24 to 25.

The Board maintains a formal and transparent relationship with the Group's internal and external auditors.

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

The Directors considers that during 2002 the Company had complied with the Best Practices in Corporate Governance set out under Part 2 of the Code, except for the formation of remuneration and nomination committees as set out and explained in the report on the application of the principles of good governance.



**STATEMENT ON DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED ACCOUNTS**

The Directors are required by the Companies' Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group, and their results for the financial year.

In preparing the financial statements for the year ended 31 December 2002, the Directors have:

1. adopted the appropriate accounting policies, which are consistently applied.
2. made judgements and estimates that are reasonable and prudent.
3. ensure that the applicable approved accounting standards in Malaysia and provisions of the Act are complied with.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

**STATEMENT ON MATERIAL CONTRACTS**

There were no material contracts of the Company and subsidiaries involving Directors and substantial shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

**STATEMENT ON REVALUATION POLICY**

The Group's policy on revaluation of landed properties is stated in Note 1(d) on page 41 of the financial statements.

**NON-AUDIT FEES**

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2002 was RM103,000.

**SHARE BUYBACK**

Details of share buyback are set out on page 58 of the financial statements.

**OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

No options, warrants or convertible securities were issued or exercised during the year.

**AMERICAN DEPOSITORY RECEIPTS (ADR) OR GLOBAL DEPOSITORY RECEIPTS (GDR) PROGRAMME**

The Company did not sponsor any ADR or GDR programme.

## Statement on Internal Control

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. The Board of Directors is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement which outlines the nature and scope of internal control of the Group.

### RESPONSIBILITY

The Board of Directors is ultimately responsible for maintaining a sound system of internal control for the Group and for reviewing its adequacy and integrity. However, due to the limitations inherent in any system of internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of internal control in the Group. The Audit Committee is assisted by the Internal Audit department, which carries out regular and systematic reviews of the system of internal control of the Group and also the extent of compliance with the Group's operating policies and procedures. The findings are reported directly to the Audit Committee.

The membership of the Audit Committee, summary of its terms of reference and activities are set out on pages 24 to 25.

### RISK MANAGEMENT FRAMEWORK

The Audit Committee and the management are committed to formalising a comprehensive Risk Management Framework in accordance with the guidance as contained in the publication – Statement of Internal Control: Guidance for Directors of Public Listed Companies.

During the current financial year, the management, with the assistance of external consultants, commenced the formalisation of the Enterprise Risk Management framework for the Group. Workshops and interviews involving management from all business units in the Group were organised to identify the key risks faced by the Group, the likelihood of the risks occurring and the magnitude of impact.

A database of all major risks and controls was created and is currently being compiled to produce a corporate risk register. Control issues will be identified and action plans formulated to address these risks. When completed, the corporate risk register will be presented to the Board of Directors for adoption.

Subsequently, the Internal Audit department will conduct follow-up compliance tests to ensure that the action plans are complied with and effective controls adhered to in managing the key risk areas. The risk management framework of the Group will be updated on a continual basis and reviewed periodically by the Board.

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of Group's internal control systems of the Group are as follows:

- The Executive Directors actively participate in the day to day running of the businesses and hold regular dialogues with senior management of the various business units.
- There are clearly defined delegation of responsibilities and appropriate limits of authority for different processes, decisions and commitments.
- The Executive Management Committee (EMC) was established to manage and control the Group's businesses. The EMC monitors the performance of the business units and identify areas requiring follow-up actions. The EMC is further supported by various sub-committees. Matters beyond its limits of authority are referred to the Main Board for approval.
- The full Board meets at least quarterly to discuss the performance of the Group and other major issues. The Annual Report and the announcements of quarterly results are reviewed by the Audit Committee before the Board's approval and release to the KLSE/public.
- The Board also reviews and approves the annual budget and business plans of the business units. These plans set out the key business objectives of the respective business units and the major risks and opportunities in the operations and the ensuing action plans.

The Board, with the assistance of the Audit Committee, constantly reviews the adequacy and integrity of the system of internal control and is confident that there were no material losses incurred during the current financial year as a result of weaknesses of internal control.

# Audit Committee Report

## AUDIT COMMITTEE

The composition and terms of reference of the Audit Committee were adopted by the Board of Directors at a meeting held on 4 July 2001 and shall supersede all previous terms.

## COMPOSITION AND MEETINGS

The composition of the Audit Committee and their attendance at the 6 meetings held during the year are as follows:

Name	Attendance
Dato' N. Sadasivan Chairman, Independent Non-Executive Director	6/6
Dato' Haji Kamaruddin @ Abas bin Nordin Independent Non-Executive Director	6/6
Mohd. Sharif bin Haji Yusof Independent Non-Executive Director	5/6
Koo Sian Chu Executive Director	6/6

## TERMS OF REFERENCE

### Membership

The Committee shall be appointed by the Board from amongst the Directors and shall be composed of no fewer than three members, a majority of whom must be Independent Directors.

The Committee shall include at least one Director who is a member of the Malaysian Institute of Accountants or alternatively, a person who must have at least 3 years working experience and have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the said Schedule.

No alternate Director shall be appointed a member of the Committee.

The members of the Committee shall elect a chairman from among their number who shall be an Independent Director.

In the event of any vacancy in the Committee, which result in a breach in the Listing Requirements of Kuala Lumpur Stock Exchange, the vacancy must be filled within three months.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years.

### Authority

The Committee is authorised by the Board, and at the cost of the Company, to:

1. investigate any matter within its terms of reference
2. have the resources which are required to perform its duties
3. have full and unrestricted access to any information pertaining to the Company or the Group
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any)
5. be able to obtain independent professional or other advice
6. convene meetings with external auditors, excluding the attendance of the executive members

### Functions

The functions of the Committee shall be, amongst others:

1. Review the following and report the same to the Board:
  - a. the audit plan, the evaluation of the system of internal control and the audit report with the external auditor; the assistance given by the employees of the Company/Group to the external auditor
  - b. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work
  - c. 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 recommendation of the internal audit function
  - d. the quarterly results and year end financial statements, prior to approval by the Board of Directors, focusing on
    - i. changes in or implementation of major accounting policy changes, significant and unusual events; and
    - ii. compliance with accounting standards and other legal requirements

- e. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure of course of conduct that raises questions of management integrity
  - f. any letter of resignation from external auditor
  - g. whether there is reason to believe that the external auditor is not suitable for re-appointment;
2. recommend the nomination of person or persons as external auditor;
  3. approve any appointment or termination of senior staff members of the internal audit function and review any appraisal or assessment of the performance of its members; and
  4. any other function as may be required by the Board from time to time.

#### CONDUCT OF MEETINGS

The Chairman shall call for meetings to be held not less than four times a year. Any member of the committee may at any time, and the Company Secretaries shall on requisition of the member, summon a meeting.

Except in the case of an emergency, seven days notice of meeting shall be given in writing to all members.

A quorum of meetings shall be a majority of Independent Directors. Meetings shall be chaired by the Chairman, and in his absence, by an Independent Director.

Decisions shall be made by a majority of votes.

The Head of Finance, Head of Internal Audit and the Company Secretaries shall normally attend meetings. Other board members and employees may attend meetings upon the invitation of the Committee. A representative of the external auditor shall attend the meeting to consider the final audited financial statements and such other meetings determined by the Committee.

The Chairman shall exercise the right to require those who are in attendance to leave the room when matters to be discussed are likely to be hampered by their presence or confidentiality of matters needed to be preserved.

#### REPORTING PROCEDURES

The Company Secretaries shall record the proceedings of meetings. Minutes shall be circulated to all members of the Board.

The Committee shall prepare, for the Board and for inclusion in the Company's Annual Report, a summary of its activities in the discharge of its functions and duties for the financial year.

The Committee may report to the Stock Exchange of a matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

#### Summary of activities of the Audit Committee

During the year, the Audit Committee reviewed the Group audit strategy plan with the external auditors before commencement of the audit for the financial year end and thereafter the annual audited financial statements, as well as the quarterly financial results before recommending to the Board for release to the Stock Exchange.

The Audit Committee also reviewed related party transactions on a quarterly basis, the internal audit plan for the year, all internal audit reports as well as the Group's Risk Management Framework.

#### Summary of activities of internal audit function

The principal role of the internal audit function is to undertake regular independent review and appraisal on the effectiveness of the Group's system of internal control. The annual audit plan is reviewed and approved by the Audit Committee.

During the year ended 31 December 2002, the department undertook audit visits to all subsidiaries of the Group aimed at providing reasonable assurance that the relevant control activities are operating satisfactorily. The internal audit function also reviewed the extent of compliance of the individual subsidiaries with the Group's established policies and procedures as well as the applicable laws and regulations. The audit findings were reported to the Audit Committee and forwarded to the management for its attention. Audit reports also include recommendations for improvement as deemed practical and necessary. Follow-up audits were subsequently carried out to ensure that appropriate corrective actions have been duly taken by the management.

Internal audit also assisted in the implementation of the Enterprise Risk Management framework of the Group.