

# Statement on Corporate Governance

The Board of Directors of Dijaya Corporation Berhad (“DIC” or “the Company”) recognises the importance of adopting high standards of corporate governance within the Group to enhance higher standard of duties and to protect and enhance shareholder value.

This statement set out how the Company has applied the Principles, and the extent of compliance with the Best Practices of Good Corporate Governance as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance (“the Code”), unless otherwise stated.

## **BOARD OF DIRECTORS**

The DIC and its subsidiaries (“DIC Group” or “the Group”) is led and controlled by its Board of Directors which has the overall responsibility for the direction of the Group. The Board sets policies, reviews strategies and ensures the proper conduct of business.

### **Board Balance**

The Board currently has eight (8) members, comprising four (4) Independent Non-Executive Directors, including the Independent Non-Executive Chairman, three (3) Executive Directors and a Non-Independent Non-Executive Director. A brief profile of each Director is presented on pages 6 to 9 of this Annual Report. The present Board composition is in compliance with the requirements of the KLSE Listing Requirements.

No individual or group of individuals dominate in the decision-making process of the Board and the current Board composition fairly represents the shareholders. Its members have the broad range of experience, skills and knowledge necessary for an effective stewardship in the Group and the exercise of independent judgement.

There is a clear division of responsibility between the Chairman, the Group Chief Executive Officer (“CEO”) and the Group Managing Director (“MD”) to ensure balance of power and authority. The Chairman is responsible for the administration of the Board, while the CEO and the MD with the assistance of the Executive Director are overall responsible for the effective implementation of the Board’s policies and decisions and overall management of the Company and the Group. All Directors have access to the Group’s Senior Management.

The Chairman, Tan Sri Datuk Ahmad Farouk bin Isahak is the senior independent non-executive director to whom concerns of shareholders, management and others pertaining to the Company and Group, may be conveyed.

### **Board Meetings**

The Board meets regularly and all proceedings at Board Meetings are properly minuted and signed by the Chairman. The Board Meetings are formally structured with pre-set agenda and Board Papers covering operational, corporate and financial developments are circulated before meetings are held.

A total of four (4) Board meetings were held during the financial year ended 31 December 2001. The table below set out the record of attendance of the Board members:-

Directors	Number of Board meetings held during directors' tenure in office	Number of meetings attended by directors
Tan Sri Datuk Ahmad Farouk Bin Isahak	4	4
Dato' Tan Chee Sing	4	4
Poh Pai Kong	4	4
Dato' Dr Thong Kok Cheong	4	4
Michael Lim Hee Kiang	4	3
Azhar Bin Abdul Wahab (appointed on 9/2/2001)	4	3
Roslan Bin Hj Yahya (appointed on 23/3/2001)	3	3
Tan Choon Kee (resigned on 31/12/2001)	4	4
Dato' Thong Kok Khee (resigned on 18/1/2002)	4	Nil
Tong Kien Onn (appointed on 18/1/2002)	Nil	Nil

In the intervals between board meetings, for any matters requiring board decisions, board approvals are obtained through circular resolutions. The resolutions passed by way of circular resolutions are ratified in the next board meeting.

#### Supply of Information

All Directors are supplied with full set of Board papers prior to each Board Meeting. The Board papers include, among other things, the following:-

- a) Financial reports and review of the Group's operation.
- b) The Group's latest business development and any other matters arising.
- c) Minutes of Meeting.

All directors can have full access to the information within the Company in furtherance of their duties. They are also entitled to obtain full disclosure by the management and advice or services from the Company Secretary. If necessary, the Directors are also entitled to seek independent professional advice from external consultants at the Company's expense.

All the Directors of the Company have duly completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia. Where necessary, the Directors will continue to undergo other relevant training programmes to keep them abreast with relevant changes in laws and regulations and the business environment.

### BOARD COMMITTEES

#### Nomination Committee

The Company established a Nomination Committee on 7 August 2001 with the responsibility of identifying and proposing new nominees to the Board of DIC. The Nomination Committee also reviews the effectiveness of the existing Board, the committees of the Board and the contribution of each Director annually, to ensure the presence of its required mix of skills and experience and other qualities including core competencies. The Nomination Committee comprises three (3) members, the majority being Independent Non-Executive Directors:-

##### Members

Tan Sri Datuk Ahmad Farouk Bin Isahak (Chairman)

Dato' Dr Thong Kok Cheong

Roslan Bin Hj Yahya

The recommendations of the Nomination Committee are subject to the approval of the Board.

#### Re-election of the Directors

In accordance with Article 103 of the Company's Articles of Association, all Directors who are appointed by the Board either to fill a casual vacancy or in addition to the existing Directors are subject to re-election by shareholders at the Annual General Meeting following their appointment. The Articles also provide that at least one-third ( $\frac{1}{3}$ ) of the remaining Directors be subject to re-election by rotation at each Annual General Meeting including the Group Chief Executive Officer, the Group Managing Director and the Executive Director provided always that all the Directors shall retire from their office once at least in each three (3) years but shall be eligible for re-election.

#### Remuneration Committee

The Company had also set up a Remuneration Committee on 7 August 2001. The majority members of the Remuneration Committee are Non-Executive Directors:-

##### Members

Tan Sri Datuk Ahmad Farouk Bin Isahak (Chairman)

Poh Pai Kong

Dato' Dr Thong Kok Cheong

The Remuneration Committee is responsible for, inter alia, recommending the remuneration packages of the Executive Directors and fees of the Non-Executive Directors to the Board.

The Remuneration Committee will meet at least once annually to review the remuneration of Executive Directors. The remuneration package of Non-Executive Directors, including the Non-Executive Chairman, will be endorsed by the Board as a whole. No member of the Remuneration Committee may deliberate on their own remuneration or fee. Any recommendation by the Remuneration Committee would require the Board's approval with the exception of Directors' fees which require members' approval at the Annual General Meeting.

The general policy practised for Directors' remuneration by the Remuneration Committee is that the levels of remuneration should be sufficient to attract and retain directors of the quality required to manage the business of the Group. As for Non-Executive Directors, it should reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

**Directors' Remuneration**

Breakdown of Directors' remuneration for the financial year ended 31 December 2001, by category and in bands of RM50,000 are shown below:-

Category	Fees	Salaries and Allowances	Other emoluments	Total
Executive Directors	–	RM710,000	RM72,000	RM782,000
Non-Executive Directors	RM62,800	RM66,000	–	RM128,800
<b>Total</b>	<b>RM62,800</b>	<b>RM776,000</b>	<b>RM72,000</b>	<b>RM910,800</b>

**Bands**

	No. of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000.00	0	4
RM50,001.00 - RM100,000.00	0	1
RM100,001.00 - RM150,000.00	1	0
RM150,001.00 - RM200,000.00 (Paid to Group Chief Executive Officer)	1	0
RM500,001.00 - RM550,000.00	1	0

**SHAREHOLDERS****Dialogue Between the Company and Investors**

The Board make timely dissemination of information, through appropriate channels of communications, to shareholders and other stakeholders to ensure that they are well informed of major developments of the Group. The information is also communicated to them through the Annual Report and the various disclosures and announcements made to the KLSE, including Quarterly and Annual Results.

Senior Management also had meetings with analysts when requested, with permissible disclosures of the major developments in the Group, its business direction and performance. Price-sensitive information is, however, not disclosed in these discussions until after the prescribed announcement to the KLSE has been made.

The Group also maintains a website ([www.dijayacorp.com](http://www.dijayacorp.com)) to enhance access of information by shareholders and the public in general.

**Annual General Meeting**

The Company's Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Besides the usual agenda for Annual General Meeting, the Board presents the progress and performance of the business as contained in the Annual Report and encourages shareholders to participate in the question and answer sessions. The Directors are available to respond to any shareholder's questions during the Meeting.

For re-election of Directors, the Board ensures that full information is disclosed through the notice of meetings regarding Directors who are retiring and who are willing to serve if re-elected.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

### **ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Board aims to provide and present a clear and balanced account of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statement and quarterly announcement of results to shareholders as well as the Chairman's Statement and review of operations in the annual reports.

#### **Directors' Responsibility Statement**

The Directors are required by the Companies Act, 1965 to prepare the financial statements so as to give a true and fair view of the state of affairs of the Company and the Group at the financial year end, and of the results and cashflows of the Company and the Group for the financial year.

The Directors have used suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and adopted applicable accounting standards during the preparation of the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

In addition, the Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to detect and prevent any fraud as well as any other irregularities.

#### **Internal Control**

The Board has overall responsibility for maintaining a sound system of internal controls which includes financial controls, operational and compliance controls and risk management to safeguard shareholders' investment and the Company's assets.

#### **Relationship with Auditors**

The role of the Audit Committee in relation to the external auditors may be found in the Report of Audit Committee set out on pages 26 to 28. The Company has always maintained a professional and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

#### **Audit Committee**

The report by the Audit Committee for the financial year ended 31 December 2001 is set out on pages 26 to 28.

### **Other Information**

#### Share Buybacks

During the financial year, the Company did not enter into any share buyback transactions.

#### Options, Warrants or Convertible Securities

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

#### American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

#### Imposition of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

#### Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Group and by the Company for the financial year amounted to RM44,300.00 and RM5,900.00 respectively.

#### Profit Estimate, Forecast or Projection

There were no variances of 10% or more between the results for the financial year and the unaudited results and the profit forecast previously announced.

#### Profit Guarantee

During the financial year, there were no profit guarantees given by the Company.

#### Material Contracts

There were no material contracts between the Company or its subsidiaries that involved Directors' or major Shareholders' interests.

#### Revaluation Policy

The Company and the Group do not have a policy on regular revaluation of land and buildings.

# Report of Audit Committee

## COMPOSITION

The Audit Committee presently comprises five (5) members of the Board, one of whom has more than twenty (20) years' experience in the finance and accounting field and is a member of the Chartered Institute of Management Accountants, United Kingdom. Three (3) of the five (5) members of the Committee, including the Chairman of the Committee, are independent:-

Members of the Board who also sits on the Audit Committee in the last financial year and up to the date of this Report are as follows:-

### Members

Tan Sri Datuk Ahmad Farouk bin Isahak (Chairman)	Independent Non-Executive Director
Dato' Dr Thong Kok Cheong	Non-Independent Non-Executive Director
Michael Lim Hee Kiang	Independent Non-Executive Director
Roslan bin Hj Yahya appointed on 7 August 2001	Independent Non-Executive Director
Tan Choon Kee appointed on 7 August 2000; resigned on 31 December 2001	Executive Director
Tong Kien Onn appointed on 18 January 2002	Executive Director (A member of the Chartered Institute of Management Accountants, United Kingdom)

The Secretary to the Committee is Ms Jessica Low Nyoke Fun who is the Company Secretary.

## TERMS OF REFERENCE

### Function of the Audit Committee

The functions of the Committee, amongst others, are as follows:-

1. To review the following and report the same to the Board of Directors:-
  - a) with the external auditor, the audit plan;
  - b) with the external auditor, the evaluation of the system of internal controls;
  - c) with the external auditor, the audit reports;
  - d) the assistance given by the Company's employees to the external auditor;
  - e) 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;
  - f) 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;
  - g) the quarterly results and year end financial statement, prior to the approval by the Board of Directors, focusing on:-
    - i) changes in or implementation of major accounting policy changes;
    - ii) significant and unusual events; and
    - iii) compliance with accounting standards and other legal requirements;
  - h) any related party transactions and conflict of interest situation that may arise within the Company or Group.
  - i) any letter of resignation from the external auditors;
  - j) whether there is reason (supported by grounds) to believe the external auditors is not suitable for re-appointment; and
2. To recommend the nomination of a person or persons as external auditors.

### Authority of the Audit Committee

1. The Committee is authorised to investigate any activity within its terms of reference and to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
2. The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outside parties with relevant experience and expertise if it considers this necessary.
3. The Committee shall have unrestricted access to both the internal and external auditors and is able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

### MEETINGS

A total of five (5) audit committee meetings were held for the financial year ended 31 December 2001, primarily to review the respective quarterly financial statement and to present the same to the Board of Directors for approval prior to releasing to the KLSE. Each meeting must be attended by at least three (3) members, of which the majority must be independent directors. Details of attendance by members during their tenure in office are as follows:-

<b>Members</b>	<b>Number of Audit Committee Meetings held during directors' tenure in office</b>	<b>Number of meetings attended by members</b>
Tan Sri Datuk Ahmad Farouk Bin Isahak	5	5
Dato' Dr Thong Kok Cheong	5	5
Michael Lim Hee Kiang	5	4
Roslan Bin Hj Yahya (appointed on 7/8/2001)	3	2
Tan Choon Kee (appointed on 7/8/2000; resigned on 31/12/2001)	3	3
Tong Kien Onn (appointed on 18/1/2002)	Nil	Nil

Representatives of the external auditors, the Group Managing Director, the Senior General Manager of Corporate Planning as well as the Finance Manager and the Internal Audit Manager also attended the meetings upon invitation.

### **SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR**

During the year, the Audit Committee carried out its duties in accordance with its terms of reference. The activities of the Audit Committee during the year included:-

- Reviewed with the external Auditors, the results of the audit, the audit report and the management letter, including management's responses.
- Discussed internal audit issues and recommendations with the internal auditors and reviewed the internal audit reports.
- Reviewed the related party transactions entered into by the Group.
- Discussed with internal auditors on its scope of work, adequacy of resources and co-ordination with external auditors.
- Reviewed the quarterly unaudited financial results and announcements before recommending them for the Board's approval.
- Reviewed the Company's compliance with the listing requirements and other relevant legal and regulatory requirements.
- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group.
- Considered and made the appropriate recommendation to the Board on the appointment of new external Auditors.

### **INTERNAL AUDIT FUNCTION**

The Audit Committee is supported by an independent Internal Audit Department which was set up during the year. The internal audit function is guided by the internal audit charter, the internal audit procedure and the internal audit plan, which were approved by the Audit Committee.

During the later part of the financial year, the internal audit activities had been carried out according to the internal audit plan. Two audit reports were issued incorporating findings and recommendations concerning system and control, weaknesses noted in the course of audit, management's responses and the remedial actions on the implementation of all findings and recommendations. The Committee is aware of the fact that an independent and adequately-resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.