

## Introduction

The principal activities of Europlus group of companies are investment holding, property development, contracting and provision of management and consultancy services.

Property Development contributes 98% to its turnover in the financial year 2003. The property development undertaken by Europlus Group are detailed as follows:

### (1) Existing Projects

#### Ukay Perdana

Ukay Perdana is a mixed development project located at 7<sup>th</sup> mile off Jalan Ulu Klang in the vicinity of Bukit Antarabangsa and Taman Ukay. It is approximately 14.4 km north-east of Kuala Lumpur City Centre, which is about 30 minutes drive north-east of Kuala Lumpur City Centre. The project is situated on 345 acres of converted leasehold land which is being developed by Ukay Land Sdn Bhd, a 100% owned subsidiary of Europlus.

The Proposed Development involves the construction of 5,579 units of residential and 871 units of shop office with an expected Gross Development Value of RM942.0 million. As at 31 March 2003, a total of 5,410 units of properties valued at RM680.0 million were sold.

#### Lestari Puchong

Lestari Puchong is a project undertaken by Lestari Puchong Sdn Bhd, a wholly owned subsidiary of Europlus Berhad. The proposed site is located off Jalan Akademi Putra, approximately 1.2 kilometers from Persimpangan Serdang Exit No. 1123, in the vicinity of Seri Kembangan, Selangor. The site is easily accessible from Kuala Lumpur – Seremban Highway via Jalan Sungai Besi and strategically located to the north of University Putra Malaysia research centre.

Lestari Puchong is a mixed development comprising 8,669 units of residential properties, and 306 units of commercial properties. With an estimated Gross Development Value of RM1.1 billion, Lestari Puchong is expected to span over a development period of five (5) years. Launched in March 2001, Lestari Puchong has achieved sales of 2,942 units valued at RM510.0 million as at 31 March 2003.



## Putra Perdana

Putra Perdana is a project undertaken by Kenshine Corporation Sdn Bhd, a wholly owned subsidiary of Europlus. Sited on 600 acres of converted leasehold land, the project is located on the southern side of Puchong-Kajang trunk road, 5 km from Batu 14 Puchong, within Cyberjaya and adjacent to the Multimedia Super Corridor, 5 km west of Putrajaya and 13 km north of the Kuala Lumpur International Airport.



With an expected Gross Development Value of RM2 billion, Putra Perdana will consist of residential houses, apartments, shop offices, commercial complex, exhibition center, theme garden, hotel and service apartments. As at 31 March 2003, the project has recorded sales of 7,528 units valued at RM803.0 million.

## Bandar Bukit Beruntung



Bandar Bukit Beruntung, a converted 5,500 acres of freehold land is located north-west of Rawang, approximately 40 km from Kuala Lumpur. It is undertaken by Europlus' wholly owned subsidiary, Europlus Corporation Sdn Bhd. The mega township which is marketed as the "2<sup>nd</sup> Petaling Jaya" has a golf resort, country homes, campus, industrial, commercial and housing units with an expected Gross Development Value of RM5.20 billion. The completed Bukit Beruntung Golf and Country Club has a 36-hole international standard golf course, driving range with full facilities and an outdoor Olympic size swimming pool. The development of the entire township is expected to span another 13 years to the year 2015. The proposed development involves the construction of 27,000 units of residential, 2,400 units of industrial lots / factories and 3,900 units of shop office / apartments.

Launched in late 1991, this project has achieved a total sale value of RM1.56 billion representing 13,871 units as at 31 March 2003.

## Bukit Beruntung III



Bukit Beruntung III is a mixed development project undertaken by Perwira Indra Sakti Sdn Bhd, a wholly owned subsidiary of Europlus. The project consists of mixed residential, industrial and commercial development with an expected Gross Development Value of RM1.3 billion. It is located adjacent to the east of Bandar Bukit Beruntung within Bukit Beruntung Township off the East Side of the North-South Expressway, some 50 km due north of Kuala Lumpur City Centre.

With a converted 717 acres of freehold land, Bukit Beruntung III involves the construction of 8,619 units of residential and 981 units of industrial and commercial development. The entire project is expected to complete by the year 2010. Launched in June 1997, a total sales value of RM242.0 million was recorded (representing 2,999 units sold) as at 31 March 2003.

## Prima Beruntung



Prima Beruntung is a converted 250 acres of freehold land planned for with mixed development. A project launched by Europlus since 1996, Prima Beruntung is seen as an extension of the Bandar Bukit Beruntung project due to its proximity to Europlus. With an estimated Gross Development Value of RM270.7 million, Prima Beruntung has achieved a total sales of RM165.8 million (representing 1,810 units sold) as at 31 March 2003.

## Lagoon Perdana

Lagoon Perdana, is a project undertaken by Tenaga Gagah Sdn Bhd, a 60%-owned subsidiary of Europlus. The project is located south of Bandar Sunway in the Mukim and District of Petaling in Selangor. Sandwiched between the Lebuhraya Damansara Puchong and KESAS toll, Lagoon Perdana consists of 3,322 units of apartments, a commercial complex and hotel, which is expected to generate a Gross Development Value of RM580 million. Since its first launch in 1999, a total of 3,010 units of properties valued at RM357.0 million were sold as at 31 March 2003.

## Kinrara Section 3

Kinrara Section 3 is a project undertaken by Sentosa Restu (M) Sdn Bhd, a 100%-owned subsidiary of Europlus. The project is located on 43 acres of land in the Daerah of Petaling, opposite of the Kinrara Army Camp. The proposed development which is expected to complete by the year 2006, consists of 2,790 units of residential properties, 425 units of shop offices, and a commercial complex. It was first launched in 1999 with an estimated Gross Development Value of RM496.4 million. As at 31 March 2003, Kinrara Section 3 has achieved a sales of RM277.0 million representing 2,196 units sold.



## Pulau Melaka

Pulau Melaka, Malaysia's first "Twin Island City Centre", is undertaken by Pulau Kembar Sdn Bhd, a 59%-owned subsidiary of Europlus. This waterfront development project involves the reclamation of two islands, approximately 0.5 km off the coast of Malacca new town centre measuring 40ha and 50ha respectively. The reclamation of the first island of 40ha and a 30m bridge linking to the mainland had been completed.



Pulau Melaka development will comprise 4,387 units of residential and 4,180 units of mixed commercial development together with leisure-cum-tourism amenities such as marine theme park, marina, hotels and waterfront activities. With an estimated Gross Development Value of RM1.46 billion, the project has recorded sales of RM143.0 million representing 1,276 units sold as at 31 March 2003.



## (2) Future Projects

### Lestari Permai

Lestari Permai is situated on approx 76.01 acres of 99 years leasehold land and located opposite the Putrajaya Gate 2 entrance. Undertaken by Europlus Construction Sdn Bhd, a wholly owned subsidiary of Europlus, the proposed development comprises 1,004 units of residential houses and 24 units of double storey shop and 7 units of low cost shop. The project will be accessible via Lebuhraya Damansara Puchong, Puchong-Serdang bypass, and Jalan Puchong.

With an estimated Gross Development Value of RM123.0 million, Lestari Permai is expected to launch in the second quarter of year 2003.



# CORPORATE CALENDAR

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## 2002 / 2003

**29 May – 1 June 2002**

FIABCI World Exhibition at Putra World Trade Centre, Kuala Lumpur

**31 May – 2 June 2002**

Europlus & Talam Corporation Berhad (“Talam”) Homeownership Campaign at Pandan Kapital, Pandan Indah



**20 June – 23 June 2002**

Malaysia Property Expo 2002 at Sunway Pyramid Convention Centre

**25 September 2002**

Convened the 71<sup>st</sup> Annual General Meeting at Pandan Lake Club, Pandan Perdana

**24 September – 6 October 2002**

Europlus & Talam Homeownership Campaign at the Mall, Kuala Lumpur



**5 October – 8 October 2002**

Malaysia Property Expo 2002 at Mid-Valley Exhibition Centre

**28 January 2003**

Talam, Europlus & Associates Nite 2003

**8 May 2003**

The Shareholders approved the Proposed Shareholders’ Mandate for Recurrent Related Party Transaction of a revenue or trading nature at an Extraordinary General Meeting



**11 May 2003**

“World Corporate Golf Challenge Malaysia 2003” held at Bukit Beruntung Golf & Country Resort.

**1 June 2003**

“Talam – MAA – MEDicare Charity Golf Tournament 2003” held at Bukit Beruntung Golf & Country Resort



**19 June 2003**

(i) The Shareholders approved the Proposed Merger at Court Convened Meeting and Extraordinary General Meeting held at Pandan Lake Club.

(ii) The holders of 7% 2000/2005 Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) and the holders of 7% 2001/2006 ICULS approved the Proposed Merger at separate meetings held at Pandan Lake Club.



**1 July 2003**

The Company obtained the approvals from the holders of Warrant 1995/2005 and Warrant 2000/2005 on the Proposed Merger at separate meetings held at Pandan Lake Club.

The Board of Directors is committed towards instilling high standards of Corporate Governance throughout the Group as a fundamental part of discharging its responsibilities to enhance shareholders' value and the financial performance of the Group. To this end, the Board fully supports the recommendations of the Malaysian Code of Corporate Governance ("Code") which are divided into the following Sections :-

Section 1: Directors

Section 2: Directors' Remuneration

Section 3: Shareholders

Section 4: Accountability and Audit

Section 5: Additional Compliance Information as at 31 March 2003

## **SECTION 1 : DIRECTORS**

### **Composition of the Board**

The Board has eight members, which comprises of a Chairman, an Executive Director who is the President/Chief Executive and six Non Executive Directors, out of which three are independent. The Company considers that its complement of Non Executive Directors provides an effective Board with a mix of industrial-specific knowledge and broad business and commercial experience. The profile of the Board are set out on pages 5 to 8 of the Annual Report.

Tan Sri Dato' Hj. Lamin Bin Hj. Mohd Yunus is the Chairman of the Board while Tan Sri Dato' (Dr.) Ir. Chan Ah Chye @ Chan Chong Yoon acts as the President/Chief Executive. There is a clear division of responsibility between these two roles to ensure a balance of power and authority. Tan Sri Dato' Hj. Lamin Bin Hj. Mohd Yunus is responsible for the orderly conduct and working of the Board while Tan Sri Dato' (Dr.) Ir. Chan Ah Chye @ Chan Chong Yoon has overall responsibility over the business operations, organisational effectiveness and implementation of Board policies, strategies and decision.

In accordance with the requirements of the Code, Dato' Megat Fairouz Junaidi Bin Megat Junid has been appointed as the Senior Independent Non Executive Director to be available to deal with issues regarding the Company where it could be inappropriate to be dealt with by the Chairman or the President/Chief Executive.

### **Board Responsibilities**

The Board retains full and effective control of the Group. Key matters, such as approval of annual and quarterly financial results, investment acquisitions and disposal, material agreements and major capital expenditures are the prerogative of the Board.

For the financial year ended 31 March 2003, the Board held five meetings. Details of the meetings and the directors' attendance of these meetings can be found in the profile of Directors on pages 5 to 8. At these meetings, strategies and performance of the Group are being reviewed and evaluated in light of any changing circumstances whether economic, social or political.

In discharging its fiduciary duty, the Board is assisted by a number of Board Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. The terms of reference of each of the Committees have been approved by the Board and the terms of reference comply with the recommendations of the Code. The terms of reference of the Audit Committee is included in the Audit Committee Report on pages 24 to 27.

## Supply of information

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Prior to the meetings for the Board and the Board Committees, Board papers which include the agenda and information relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, are circulated in advance to all the Directors for their information so as to ensure that they are properly briefed before the meetings.

Directors have access to all information within the Group whether as full Board or in their individual capacity, in furtherance of their duties. The Directors also have access to the advice and the services of the Company Secretary in carrying out their duties.

In the furtherance of their duties and at the Company's expense, all Directors, whether in their individual capacity or as a group, as and when required, may seek additional information or clarification on any matter and, where reasonable and necessary, take independent professional advice and assistance. Any such request is to be presented to the Board for approval.

Senior management staff as well as advisers and professionals appointed to advise on corporate proposals, may be invited to attend Board meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board, and to furnish their clarification on issues that may be raised by the Directors.

## Appointment to the Board and Re-election

A Nominating Committee was established on 8 February 2002. As at the date of this statement, the Committee comprises of three Non-Executive Directors of whom two are independent. The members are:-

1. Tan Sri Dato' Dr. Hj. Abdul Majid Bin Ismail  
(Chairman/Independent Non Executive Director)
2. Puan Sri Datin Thong Nyok Choo  
(Member/Non-Independent Non Executive Director)
3. Tan Sri Dato' Hj. Lamin Bin Hj. Mohd Yunus  
(Member/Independent Non Executive Director)

This Committee is empowered to make recommendations to the Board on all new Board and Board Committee appointments. The Board, through the Nominating Committee is also empowered to evaluate the effectiveness of the Board as a whole and the Committees of the Board through an assessment of mix, experience and skills which Non-Executive Directors bring to the Board. However, the main decision lies with the Board after taking into consideration the nomination by the Committee.

The Nominating Committee met on 18 March 2003 to review the mix of skills, experience and competence of the Board of Directors and the Board Committees.

Directors have direct access to the advice and the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Group's own records as well as compliance with regulatory requirements.

All Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate of the Kuala Lumpur Stock Exchange ("KLSE"). The Directors are encouraged to attend continuous education programme and seminars to keep abreast with relevant changes in laws and regulations and business environment.

In accordance with the Articles of Association of the Company, one-third of the Directors shall retire from the office at every annual general meeting and shall be eligible for re-election and the Articles also provide that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, a Director who is over the age of seventy (70) years retires at every annual general meeting and shall be eligible for re-appointment to hold office until the next annual general meeting.

## SECTION 2 : DIRECTORS' REMUNERATION

A Remuneration Committee was established on 8 February 2002. As at the date of this statement, the Committee comprises of two (2) Independent Non Executive Directors and one (1) Non Independent Non Executive Director. The members are:-

1. Tan Sri Dato' Dr. Hj. Abdul Majid Bin Ismail  
*(Chairman/Independent Non Executive Director)*
2. Puan Sri Datin Thong Nyok Choo  
*(Member/Non Independent Non Executive Director)*
3. Dato' Megat Fairouz Junaidi Bin Megat Junid  
*(Member/Independent Non Executive Director)*

The Remuneration Committee's primary role is to make recommendations to the Board on the remuneration framework and remuneration for the Executive Director (President/Chief Executive) and senior management. The Executive Director shall abstain from participating in the discussions with respect to his remuneration package at the Board of Directors' Meeting.

The determination of remuneration of Non Executive Directors is a matter for the Board as a whole.

The details of the remuneration of directors during the financial year for the Company is disclosed in the Note 7 to the Financial Statement of this Annual Report.

## SECTION 3 : SHAREHOLDERS

The Board acknowledges the need for shareholders to be informed of all materials business matters affecting the Company. The Company makes timely public disclosure through the KLSE of material information, corporate proposals, financial results and other announcements that are required to be made pursuant to the Listing Requirements of the KLSE.

In addition, other corporate information materials are available to all shareholders in the Annual Report and Circular to Shareholders. The mode of communication between the Company and its Shareholders is conducted through the Annual General Meeting and Extraordinary General Meetings of the Company where opportunities are given for them to raise questions or seek clarification pertaining to the operation and financial performance of the Group.

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.

When there are items of special business, these will be included in the notice of a meeting along with an explanatory statement in order to facilitate full understanding of the issues involved.

## SECTION 4 : ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Group complied with the annual financial statements and quarterly announcements as stipulated under the applicable approved accounting standards in Malaysia. The Directors aim to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 28 of this Annual Report.

### Internal Control

The Board has overall responsibility for maintaining a sound system of internal control that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines. Information on the Group's internal control is presented in the Statement on Internal Control laid out on pages 22 to 23 of this Annual Report.

### Relationship with Auditors

The role of the Audit Committee in relation to the external auditors is set out in pages 24 to 27. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

## SECTION 5 : ADDITIONAL COMPLIANCE INFORMATION AS AT 31 MARCH 2003

### 1. Option, Warrants or Convertible Securities

No options, warrants or convertible securities were exercised by the Company in the financial year.

### 2. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

### 3. Non-Audit Fees

During the financial year end, the company did not pay any non-audit fees to the Auditors of the Company.

### 4. Variation in Results

There were no material variations between the audited results for the financial year ended 31 March 2003 and the unaudited results for the quarter ended 31 March 2003 of the Group.

### 5. Material Contracts

Save as disclosed below, there were no material contracts entered by the Company and its subsidiaries involving Directors' and major shareholders' interests of the Company which were still subsisting as at the end of the financial year :-

On 21 February 2001, Europlus and Talam Corporation Berhad ("Talam") entered into a Memorandum of Understanding to explore the feasibility of rationalising the businesses of Europlus and Talam, including the merger of their property related businesses ("Proposed Merger"). Subsequently, on 15 June 2001, Europlus, Talam and Kumpulan Europlus Berhad ("KEB") entered into an agreement to rationalise the businesses of Europlus and Talam ("Merger Agreement"). On 13 July 2001, Europlus, Talam and KEB agreed to revise certain terms of the Proposed Merger after incorporating the final open market values of the landed properties of Talam and Europlus and their respective subsidiaries as valued by independent valuers jointly appointed by the Boards of Directors of Talam and Europlus.

On 17 October 2002, Europlus, Talam and KEB entered into a supplemental agreement to vary certain terms of the Merger Agreement after taking into consideration the revised valuation of certain of its properties as approved by the Securities Commission.

There were no material contracts entered by the Company and its subsidiaries with directors and major shareholders of the Company during the financial year ended 31 March 2003.

## **6. Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”)**

The RRPT entered into by Europlus Group during the financial year ended 31 March 2003 pursuant to the Shareholders’ Mandate granted at the Annual General Meeting held on 25 September 2002 are disclosed in Note 20 to the Financial Statements of this Annual Report.

This Statement is made in accordance with a resolution of the Board of Directors dated 8 July 2003.

The Board of Directors is pleased to provide the following statement which outlines the key elements of the internal control system within the Group for the current financial year.

## RESPONSIBILITY

The Board recognises its responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives of the Group. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control incorporates inter alia, risk management, financial, operational and compliance controls as well as the governance process.

## RISK MANAGEMENT FRAMEWORK

During the current financial year, the management, with the assistance of the external consultants, documented the enterprise-wide key risk profile of the Group through the conduct of risk management workshop with various key management and certain key members of the Board. The workshop was conducted to identify significant risks and corresponding controls, and develop the enterprise-wide risk profile. In assessing priority for the risks identified, the process takes into account the possibility of the risk occurring and its impact to the Group in the event the risk takes place. The risk profile is being reviewed regularly by the management and serves as an on going process used to identify, evaluate and manage significant risks.

## INTERNAL AUDIT FUNCTION

The Group's Internal Audit Department reports independently to the Audit Committee. The Audit Committee reviews and approves the internal audit plan, which was developed based on the finalised key risk profile of the Group, on an annual basis. The Internal Audit Department provided reports on key findings and progress of areas audited to the Audit Committee on a monthly basis.

Based on the review of the internal auditors to-date, there were no significant weaknesses noted in the areas audited. All recommendations proposed in improving the internal controls were considered and appropriate corrective measures have been implemented by management.

## OTHER KEY ELEMENTS OF INTERNAL CONTROLS

Other key elements of the Group's system of internal control are:

- the Group's Internal Audit Department, which reports to the Audit Committee performed regular reviews of business processes to assess the effectiveness of internal controls.
- operational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.
- management reports were presented by the respective division head to the Board each quarter providing financial information, including key performance indicators and information of significant changes in accounting standards and reporting.
- weekly management meetings convened to discuss the Group's operations and performance. This includes the regular monitoring of results against budget, with significant variance explained and appropriate action taken.

- defined lines of responsibilities for approving authority of various transactions. The internal control function acts as a check and balance.
- the Group completed an exercise to compile and update the Standing Instructions and Standard Operating Procedures for key processes with all Departments. This is being continuously monitored and reviewed for effective management of the Group's operations.
- monthly monitoring of financial results had been reviewed in Audit Committee meetings.

There were minor internal control weaknesses identified during the period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board and the management continued to take measures to strengthen the internal control environment to safeguard the shareholders investment and the Group's assets.

Statement made in accordance with the resolution approved by the Board of Directors on 8 July 2003.

## COMPOSITION

Members of the Committee	Designation
1. Tan Sri Dato' Hj. Lamin Bin Hj. Mohd Yunus (Chairman)	Independent & Non Executive Director
2. Dato' Megat Fairouz Junaidi Bin Megat Junid	Independent & Non Executive Director
3. Mr U Chin Wei	Non Independent & Non Executive Director (Member of the Malaysian Institute of Accountants)

## TERMS OF REFERENCE

The following terms of reference of the Audit Committee have been adopted.

### Constitution

The Audit Committee was established by the Board on 30 June 1994.

### Membership

The Committee shall be appointed by the Board of Directors from amongst their number and shall consist of not less than 3 members of whom a majority shall be independent directors. An independent director shall be one who fulfils the requirement as provided in the Kuala Lumpur Stock Exchange Listing Requirements.

At least one member of the Audit Committee must be either a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants he must have:-

- i) at least 3 years' working experience and passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
- ii) at least 3 years' working experience and is a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
- iii) a degree / masters / doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
- iv) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director. If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below 3, the Board of Directors shall within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

No alternate director can be appointed as a member of the Audit Committee.

## Authority

The Audit Committee is granted the authority to investigate any activities of its Company and its subsidiaries within its terms of reference. In particular, the Audit Committee has the authority to:-

- i) Have resources which are required to perform its duties;
- ii) Have full and unrestricted access to any information including any information it required from any employee and all employees are directed to co-operate with any request made by the Audit Committee;
- iii) Be able to obtain independent professional or other advice; and
- iv) Have direct communication channels with the external and internal auditors.

## Meetings and Reporting Procedures

The Audit Committee will meet at least four (4) times a year. A quorum for a meeting shall be two members, both being independent directors. At least once a year, the Audit Committee shall meet with the external auditors without any executive directors being present. The external auditor may request for a meeting, if they consider necessary.

The directors and employers will attend any particular audit committee meeting only at the audit committee's invitation, specific to the relevant meeting.

The Company Secretary shall be the secretary of the Audit Committee. Minutes of the meeting shall be duly entered in the books provided therefrom. The minutes will be circulated to all members of the Board of Directors and shall be presented at the Board of Directors meeting.

## Duties and Functions

The duties and functions of the Audit Committee shall be:-

- i) To consider the appointment of the external auditor, the audit fee and any questions of the resignation or dismissal of the external auditor before making recommendation to the Board of Directors;
- ii) To discuss with external auditors before the audit commences, the audit plan, the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
- iii) To review the monthly management accounts;
- iv) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-
  - a) Any changes in the accounting policies and practices
  - b) Significant and unusual events
  - c) The going concern assumption
  - d) Compliance with accounting standards, stock exchange and legal requirements
- v) To review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises question of management integrity;
- vi) To discuss problems and reservations arising from the interim and final audits, and matters the auditor may wish to discuss (in the absence of management where necessary);

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- vii) Internal Audit Functions :
  - a) To review the adequacy of the scope, function and resources of the internal audit function that it has the necessary authority to carry out its work;
  - b) To review the internal audit programme, consider the major findings of internal audits and investigation undertaken and management's response, and ensure co-ordination between the internal and external auditors;
- viii) To keep under review the effectiveness of the internal control system and in particular review the external auditor's management letter and management's response;
- ix) To review the audit reports
- x) To prepare periodic report to the Board of Directors summarising the work performed in fulfilling the Audit Committee's primary responsibilities; and
- xi) To consider other topics, as defined by the Board.

## ATTENDANCE AT AUDIT COMMITTEE MEETINGS

The number of Audit Committee Meetings held during the financial year ended 31 March 2003 and the number of meetings attended by each Audit Committee Member are as follows:

<b>Audit Committee Members</b>	<b>Number of Audit Committee Meetings held during Committee Members' tenure in office</b>	<b>Number of Meetings attended by Audit Committee Members</b>
1. Tan Sri Dato' Hj. Lamin Bin Hj. Mohd Yunus	13	13
2. Dato' Megat Fairouz Junaidi Bin Megat Junid	13	13
3. U Chin Wei	13	12

## SUMMARY OF AUDIT COMMITTEE ACTIVITIES

During the year, the Audit Committee carried out its duties as set out in terms of reference and made various recommendations to the Board.

## INTERNAL AUDIT FUNCTION

The Audit Committee is supported in its duties by the internal audit function. The Committee is aware of the fact that the internal audit function is essential to assist in obtaining the assurance and consulting services it requires regarding the effectiveness of the system of internal control in the Group.

The primary objective of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care. The Internal Audit Department assisted the Audit Committee in the discharge of its duties by undertaking independent regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

In attaining the above objective, the following activities were carried out by the Internal Audit Department on the adequacy of risk management, operational controls, compliance controls and statutory requirements :

- i) Executed internal audits in accordance to the risk based / driven internal audit plan. A total of 3 routine audits and 2 follow up audits were carried out during the year;
- ii) Compliance reviews of the internal control procedures as stipulated in the Group's Standing Instructions and Standard of Operating Procedures. During the same period, the Standing Instructions and Standard of Operating Procedures of the audited departments were jointly reviewed and updated and additional practical internal controls were incorporated;
- iii) Carried out investigations and special reviews as requested by management and / or Audit Committee;
- iv) Carried out periodic review on the risk management process within the Group and ensured continuous monitoring, assessment and mitigation of risks;
- v) Reviewed the Recurrent Related Party Transactions and made the necessary recommendations. A comprehensive Standing Instruction and Standard of Operating Procedures on Recurrent Related Party Transactions were jointly prepared and implemented in the Group.

For the financial year, 4 reviews of transactions in the respective departments were carried out. The register at the Secretarial Department was also reviewed to ensure that all Recurrent Related Party Transactions have been duly updated in the register; and

- vi) Reviewed the Group's information technology infrastructure, operations and governance process and made recommendations thereof.

In collaboration with the Information Technology Department, the computerisation of various operations of departments which have been audited are being implemented.

All Internal Audit Department's reports which were deliberated by the Audit Committee and recommendations made to the Board and / or the management were acted upon.

This statement is prepared as required by the Listing Requirements of the Kuala Lumpur Stock Exchange.

The Directors are required by the Companies Act, 1965 ("the Act") 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 at the end of the financial year and the results of the Company and the Group for the financial year.

The Directors consider that in preparing the financial statements,

- i) the Group and the Company have used appropriate accounting policies and are consistently applied;
- ii) reasonable and prudent judgements and estimates were made; and
- iii) all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Act.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.