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Hyundai **GETZ**



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Tan Sri Datuk Abdul Rahim  
bin Haji Din (Chairman)

Dato' Yeoh Choon San  
(Managing Director)

Lee Kok Chuan  
(Executive Director)

Amer Hamzah Ahmad  
(Executive Director)

Freddie Pang Hock Cheng

Dato' Mohd Salleh bin Ahmad

Lim Hock Chye

### SECRETARIES

Tan Peng (MIA 6063)  
Su Swee Hong  
(MAICSA NO: 0776729)

### AUDIT COMMITTEE

Lim Hock Chye  
(Chairman/Independent  
Non-Executive)

Dato' Mohd Salleh bin Ahmad  
(Independent/Non-Executive)

Lee Kok Chuan  
(Executive Director)

### REGISTERED OFFICE

83 Jalan SS25/2  
Taman Bukit Emas  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7803 3131  
Fax : 03-7803 9989

### SHARE REGISTRARS

Berjaya Registration Services  
Sdn Bhd  
Lot C1-C3, Block C  
2nd Floor, KL Plaza  
179 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : 03-2145 0533  
Fax : 03-2145 9702

### AUDITORS

Ernst & Young  
Chartered Accountants  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

### PRINCIPAL BANKERS

Bank Islam Malaysia Berhad  
Bank Muamalat Malaysia Berhad  
Malayan Banking Berhad  
Malaysian Industrial Development  
Finance Berhad  
OCBC Bank (Malaysia) Berhad

### STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia  
Securities Berhad

### STOCK SHORT NAME

HBJCORP (8915)

### PLACE OF INCORPORATION AND DOMICILE

Malaysia



Inokom ATOS

## PROFILE OF DIRECTORS



TAN SRI DATUK ABDUL RAHIM BIN HAJI DIN / 65 years of age, Malaysian  
Chairman (Non-Independent/Non-Executive)

1

He was appointed to the Board on 12 February 1997. He graduated with a degree in Bachelor of Arts from University Malaya in 1963 and obtained his Masters of Business Administration from the University of Detroit, United States of America in 1976. Prior to joining Berjaya Group Berhad, he served as the Secretary-General in the Ministry of Home Affairs from 1992 until his retirement in September 1996. From 1987 to 1991, he was the General Manager of the Employees Provident Fund before becoming the Deputy Group Chief Executive Officer of Permodalan Nasional Berhad, a post he held from 1991 to 1992.

He is also a Director of Berjaya Group Berhad, DiGi Telecommunications Sdn Bhd and Prudential Assurance Malaysia Berhad and several other private limited companies.

DATO' YEOH CHOON SAN / 53 years of age, Malaysian  
Managing Director

2

He was appointed to the Board on 30 April 2003. He graduated with a Higher National Diploma in Automotive Engineering. He has over 30 years of experience in the motor industry holding various portfolio from Technical Manager to Executive Director. His last appointment prior to joining Hyundai-Berjaya Sdn Bhd was as Executive Director of Proton Corporation Sdn Bhd where he was responsible for the Business Operation and International Export Activities. He is presently the Executive Director of Hyundai-Berjaya Sdn Bhd.

LEE KOK CHUAN / 45 years of age, Malaysian  
Executive Director

3

He was appointed to the Board on 30 April 2003. He graduated with a Bachelor of Economics (Accounting Major) from Monash University, Melbourne in 1983 and is an Associate member of the Institute of Chartered Accountants in Australia. He has over 10 years of working experience in the fields of accounting, auditing and corporate services with major international accounting firms including Messrs Ernst & Whinney (Kuala Lumpur) [now known as Ernst & Young], Arthur Young (Melbourne) and subsequently Ernst & Young (Melbourne). He joined Berjaya Land Berhad as Senior Manager, Internal Audit in 1994 and was responsible for its internal audit functions.

He was an Executive Director of Berjaya Group Berhad from January 2000 to September 2001. He is currently an Executive Director of Berjaya Capital Berhad and a Director of MOL Accessportal Berhad. He is also a Director of several other private limited companies in the Berjaya Group of Companies.



4

AMER HAMZAH AHMAD / 52 years of age, Malaysian  
Executive Director

He was appointed to the Board on 28 November 2003. He graduated with a degree in Bachelor of Science from University of Malaya in 1976. He has over 28 years experience in manufacturing, marketing and general management from Nestle Malaysia Bhd, Cold Storage Malaysia Berhad, Malaysia Airport Berhad and Country Heights Holdings Berhad.

He was previously the Chief Executive Officer of Malaysia Airport (Niaga) Sdn Bhd from 1994 to 1997 and Chief Operating Officer of Mines Resort City from 1998 to 2001. He held senior positions with various portfolio of companies in the field of property management and investments, resorts and hotels, theme park, golf course, shopping complexes and marketing of fast consumer goods (FCG). Prior to that, he was the Group General Manager of Cold Storage Malaysia Berhad from 1989 to 1993 and Sales Manager of Nestle Malaysia Bhd from 1976 to 1988.

He is presently the Executive Chairman of Quasar Carriage Sdn Bhd and Chairman of Inokom Corporation Sdn Bhd and a Director of Hyundai-Berjaya Sdn Bhd.

5

FREDDIE PANG HOCK CHENG / 49 years of age, Malaysian  
(Non-Independent/Non-Executive)

He was appointed to the Board on 29 April 1998. He worked with Messrs Ernst & Young for seven years until 1982 during which he qualified for entry as a member of the Malaysian Institute of Certified Public Accountants. He is also a member of the Malaysian Institute of Accountants. In 1982, he joined the Corporate Advisory Department of Malaysian International Merchant Bankers Berhad where he was actively involved in a wide variety of corporate exercises in an advisory capacity until his departure in 1990 to join Berjaya Group Berhad.

He is currently an Executive Director of Berjaya Group Berhad and Berjaya Sports Toto Berhad, a Director of Nexnews Berhad, Dunham-Bush (Malaysia) Bhd, Intan Utilities Berhad, MOL.Com Berhad, Informatics Holdings Ltd, Singapore, Berjaya Vacation Club Berhad and several other private limited companies.

6

DATO' MOHD SALLEH BIN AHMAD / 63 years of age, Malaysian  
(Independent/Non-Executive)

He was appointed to the Board on 7 July 2003. He graduated with a degree in Bachelor of Arts (Second Class Honours), University of Malaya. He began his career with the Ministry of Finance as Assistant Secretary in 1966. He was promoted to Principal Assistant Secretary in 1969 and was the Deputy Head of Division prior to his departure in 1988. Thereafter, he joined the Ministry of Defence and was the Director of Establishment and Services prior to his current appointment as the Chief Executive Officer of Koperasi Serbaguna Anak-Anak Selangor Berhad (KOSAS) in 1991. He is also a Director in several private companies.

7

LIM HOCK CHYE / 49 years of age, Malaysian  
(Independent/Non-Executive)

He was appointed to the Board on 7 July 2003. He holds a LLB (Hons) from University of London. He also has a Certificate in Legal Practice. He was previously a Deputy Editor with the Star Newspaper. He has 22 years' experience and exposure in the media industry during which he travelled extensively overseas to cover government functions and trade missions. He is currently a Director of Group Corporate Affairs with a public listed company. He is also a Director of Silver Bird Group Berhad, Juan Kuang (M) Industrial Berhad and Tamco Corporate Holdings Berhad.

Save as disclosed, none of the Directors have:-

1. any family relationship with any Director and/or major shareholder of the Company;
2. any conflict of interest with the Company; and
3. any convictions for offences within the past 10 years other than traffic offences.



Inokom MATRIX

# MATRIX

A better way  
to get around

## CORPORATE PROFILE

Hyundai-Berjaya Corporation Berhad ("HBCB") was incorporated on 19 February 1981 as a private limited company under the Companies Act, 1965 Malaysia, under the name of Transwater Bina Sdn Bhd. On 3 April 1986, the name was changed to Transwater Corporation Sdn Bhd. The Company was converted to a public limited company on 3 May 1991. On 28 September 1993, the Company was listed on the Second Board of Bursa Malaysia Securities Berhad and adopted its present name on 11 July 2003.

The principal activities of HBCB are that of investment holding and provision of management services. Pursuant to a regularisation plan announced on 30 August 2002, the Company had on 11 April 2003 acquired 100% equity interest in a new core and profitable company, Hyundai-Berjaya Sdn Bhd ("HBSB"), which is principally involved in the management of sales and distribution of passenger and light commercial vehicles in Malaysia. Today, HBSB has approximately 80 appointed dealers located throughout Malaysia to market and distribute HBSB's products.

The Group's core business is concentrated into 2 main divisions:-

- Management of sale and distribution of passenger and light commercial vehicles; and
- Specialist engineering for the oil and gas industry.

On 29 July 2003, the Company was reclassified from the Practice Note 4 Condition sector to the Trading/Services sector on Bursa Malaysia Securities Berhad following the regularisation of its financial condition and no longer triggers the criteria under Paragraph 2.0 of the Practice Note 4/2001.

On 13 January 2004, the Company increased its issued and paid-up share capital from RM113,000,000 to RM180,800,000 by an issuance of a total of 67,800,000 new ordinary shares of RM1.00 each together with 67,800,000 free detachable Warrants at an issue price of RM1.00 per Rights Share together with one free Warrant on the basis of three Rights Shares together with three Warrants attached thereto for every five existing ordinary shares of RM1.00 each held.

On 2 March 2004, the listing of and quotation for the entire issued and paid-up share capital of RM180,800,000 comprising 180,800,000 ordinary shares of RM1.00 each in HBCB and the outstanding 67,800,000 Warrants were transferred from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.





Hyundai GETZ

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Hyundai-Berjaya Corporation Berhad ("HBCB") for the financial year ended 30 April 2004.

## FINANCIAL RESULTS

For the financial year ended 30 April 2004, the Group recorded a revenue of RM1.01 billion and profit before taxation of approximately RM132.72 million as compared to a revenue of RM100.85 million and loss before taxation of RM60.81 million in the previous 14-month period ended 30 April 2003. The commendable results of the Group for the financial year under review were mainly contributed by its automotive business operated through its principal subsidiary company, Hyundai-Berjaya Sdn Bhd ("HBSB").

The jump in the results for the financial year under review was also due to the effect of the consolidation of HBSB as the Group's wholly-owned subsidiary effective 11 April 2003 following the acquisition of 100% equity interest in HBSB through Berjaya Systems Integrators Sdn Bhd. In the previous financial year ended 30 April 2003, HBSB contributed only 20.84% of the Group's revenue and RM1.35 million in profit before taxation.

## DIVIDEND

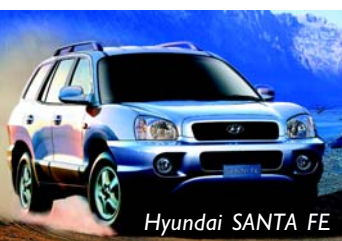
The Board has declared and paid a first, second and third interim dividends of 3% per share less 28% income tax each in respect of the financial year ended 30 April 2004, on 30 January 2004, 30 April 2004 and 20 August 2004 respectively. The Board has also recommended a final dividend of 3% per share less 28% income tax in respect of the financial year ended 30 April 2004. The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting. The total gross dividend for the year ended 30 April 2004 will be 12% per share less 28% income tax (14-month period ended 30 April 2003: NIL).

## CORPORATE DEVELOPMENTS

- 1) The Group achieved an audited profit after taxation and minority interests of RM98.43 million for the financial year ended 30 April 2004 ("Audited Results"). The Company had in its Abridged Prospectus ("AP") dated 17 November 2003 issued in relation to the Rights Issue with free Warrants, forecasted a profit after taxation and minority interests of RM56 million for the financial year ended 30 April 2004 ("Forecast Results"). The Audited Results showed an improvement of RM42.43 million or 75.77% from the Forecast Results.

The reconciliation between the Forecast Results and the Audited Results is shown as follows:

|  | RM'000  |     |
|--|---------|-----|
| Forecast Results   | 55,999  |     |
| Add: Increase in profit after taxation of automotive business              | 46,240  | (a) |
| Less: Decrease in profit after taxation of specialist engineering business | (2,457) | (b) |
| Less: Decrease in profit after taxation of investment holding segment      | (1,350) | (c) |
| Net increase in attributable profit  | 42,433  |     |
| Audited Results  | 98,432  |     |



Hyundai SANTA FE



Hyundai COUPE



Hyundai TERRACAN



Hyundai XG

**Notes:**

- (a) The commendable performance of the automotive business was mainly due to higher growth in vehicle sales that outperformed the forecast vehicle sales especially the “Inokom ATOS” which was well received by the Malaysian public.
- (b) The deviation in profit after tax of the specialist engineering business was mainly attributed to provision made for legal claims against a subsidiary of the Company for an alleged breach of contract and wrongful procurement relating to the construction of a gas metering and reticulation system. The Forecast Results did not provide for the legal claims as no material losses were foreseen then.
- (c) The decrease in profit after taxation of the investment holding segment was largely due to additional provision made for diminution in value of quoted investments not included in the Forecast Results in view of the market conditions at the point of forecast.

**2) Status of Utilisation of Proceeds**

The proceeds arising from the Rights Issue with free Warrants amounting to RM67,800,000 have been utilised as follows:

|  | Approved<br>utilisation | Utilised<br>up to<br>30.4.2004 | Balance<br>pending<br>utilisation |
|--|-------------------------|--------------------------------|-----------------------------------|
|  | RM'000                  | RM'000                         | RM'000                            |
| Repayment of bank borrowings                         | 10,000                  | 7,272                          | 2,728                             |
| Repayment of short term borrowings                   | 27,869                  | 27,869                         | -                                 |
| Working capital                                      | 26,931                  | 26,634                         | 297                               |
| Defray estimated expenses of the corporate proposals | 3,000                   | 2,905                          | 95                                |
|  | <b>67,800</b>           | <b>64,680</b>                  | <b>3,120</b>                      |

- 3) On 13 January 2004, the Company increased its issued and paid-up share capital from RM113,000,000 to RM180,800,000 by an issuance of a total of 67,800,000 new ordinary shares of RM1.00 each (“Rights Share”) together with 67,800,000 free detachable Warrants at an issue price of RM1.00 per Rights Share together with one free Warrant on the basis of three Rights Shares together with three Warrants attached thereto for every five existing ordinary shares of RM1.00 each held.





On 2 March 2004, the listing of and quotation for the entire issued and paid-up share capital of RM180,800,000 comprising 180,800,000 ordinary shares of RM1.00 each in HBCB and the outstanding 67,800,000 Warrants were transferred from the Second Board to the Main Board of Bursa Malaysia. The transfer to the Main Board of Bursa Malaysia marks the successful implementation of the Company's regularisation plan announced earlier on 30 August 2002.

- 4) On 1 April 2004, the Company announced that its substantial shareholder, Berjaya Group Berhad ("BGroup") had received an offer from Sime Darby Berhad ("SDB"), amongst others, to acquire BGroup's entire 40.31% interest in ordinary shares and 47.73% interest in warrants in the Company at an offer price of RM4.10 per ordinary share and RM3.20 per warrant. SDB however, on 17 June 2004, revised its offer for BGroup's stake in the Company to RM3.60 per ordinary share and RM2.60 per warrant respectively. On 18 June 2004, BGroup announced that it has accepted the revised offer and entered into a share sale agreement with Space Tracks Sdn Bhd, a subsidiary of SDB, together with the other vendors procured by BGroup for the said disposal of securities in the Company.

## REVIEW OF OPERATIONS

### AUTOMOBILE

For the year ended 30 April 2004, Hyundai-Berjaya Sdn Bhd ("HBSB") recorded a revenue of RM946.46 million, an increase of RM542.75 million from the previous year. Pre-tax profit also jumped 384.13% for the year under review, mainly due to better market acceptance of Hyundai vehicles and a good mix of product assortment.

Hyundai TUCSON



Despite facing stiff competition in the market, approximately 18,000 vehicles were sold with the locally manufactured Inokom ATOS being the main contributor, garnering 60% of the total units sold whilst Completely-Build-Up ("CBU") models - Hyundai Matrix and Getz proved its competitiveness with a contribution of 23% and 13% of total units sold respectively.

The locally manufactured Inokom ATOS by Inokom Corporation Sdn Bhd ("Inokom"), enjoys preferential tariffs awarded to Inokom by the government. This has enabled the vehicle to be competitively priced among its competitors. Positioned as a 1000cc entry level Multi Functional Vehicle ("MFV") with a 1300cc like performance, the ATOS is affordable and packed with features. This model, fitted with an environmental friendly engine and a roomy interior, makes it extremely appealing to small families and young professionals.

The CBU MATRIX and GETZ have also helped strengthen Hyundai's market in the local passenger car segment. The MATRIX is one of the most affordable MPV in the market while the 'super mini' - GETZ, despite just being launched a few months ago, has gained favourable response from the Malaysian public.



Currently, HBSB has more than 80 dealers with approximately 120 showrooms nationwide. On 15 December 2003, HBSB entered into an agreement with EONMOBIL Sdn Bhd ("EONMOBIL") for the appointment of EONMOBIL as the Mega Vehicle Sales Dealer in the promotion and sale of the "Inokom ATOS" and/or such other vehicle types as mutually agreed to from time to time including the provision of after-sales service to the said vehicles. The company aims to improve its market accessibility with the establishment of more showrooms in the country.

To improve on the product assortment, HBSB plans to launch more models with the likes of the Completely Knocked Down ("CKD") MATRIX 1.6-litre and CBU TUCSON in the pipeline. At present, the other models available under the HBSB marquee are the CBU COUPE, SANTA FE, XG and TRAJET.

#### **SPECIALIST ENGINEERING**

For the financial year ended 30 April 2004, the Group's specialist engineering sector recorded a lower revenue of RM67.19 million and loss before taxation of RM0.57 million as compared to RM80.72 million revenue and RM4.49 million loss before taxation respectively in the previous year. Revenue dropped as a result of strong competition in the industry while the lower loss recorded was due to higher provisions made in the previous financial period ended 30 April 2003.

#### **MARKET OUTLOOK**

The country's economic conditions remain encouraging due to its strong fundamentals. Outlook for the upcoming

financial year is positive, expected to be driven by a strong external sector and continued growth in domestic spending. As a result, the Company will focus on the entry level and compact car segment in a bid to gain a stronghold and increase market share. Efforts will be put in working with Inokom to roll out more models of affordable prices. The CKD Inokom MATRIX is expected to be launched in October this year.

The company will also look into improving on their advertising and promotion activities to promote the Hyundai and Inokom brands and their range of models. Another key factor will be to ensure the availability of service centres and access to auto parts which will result in a more promising secondhand car market for Hyundai and Inokom vehicles.

Barring unforeseen circumstances, the directors anticipate that the automotive business will continue to contribute favourably to the Group.

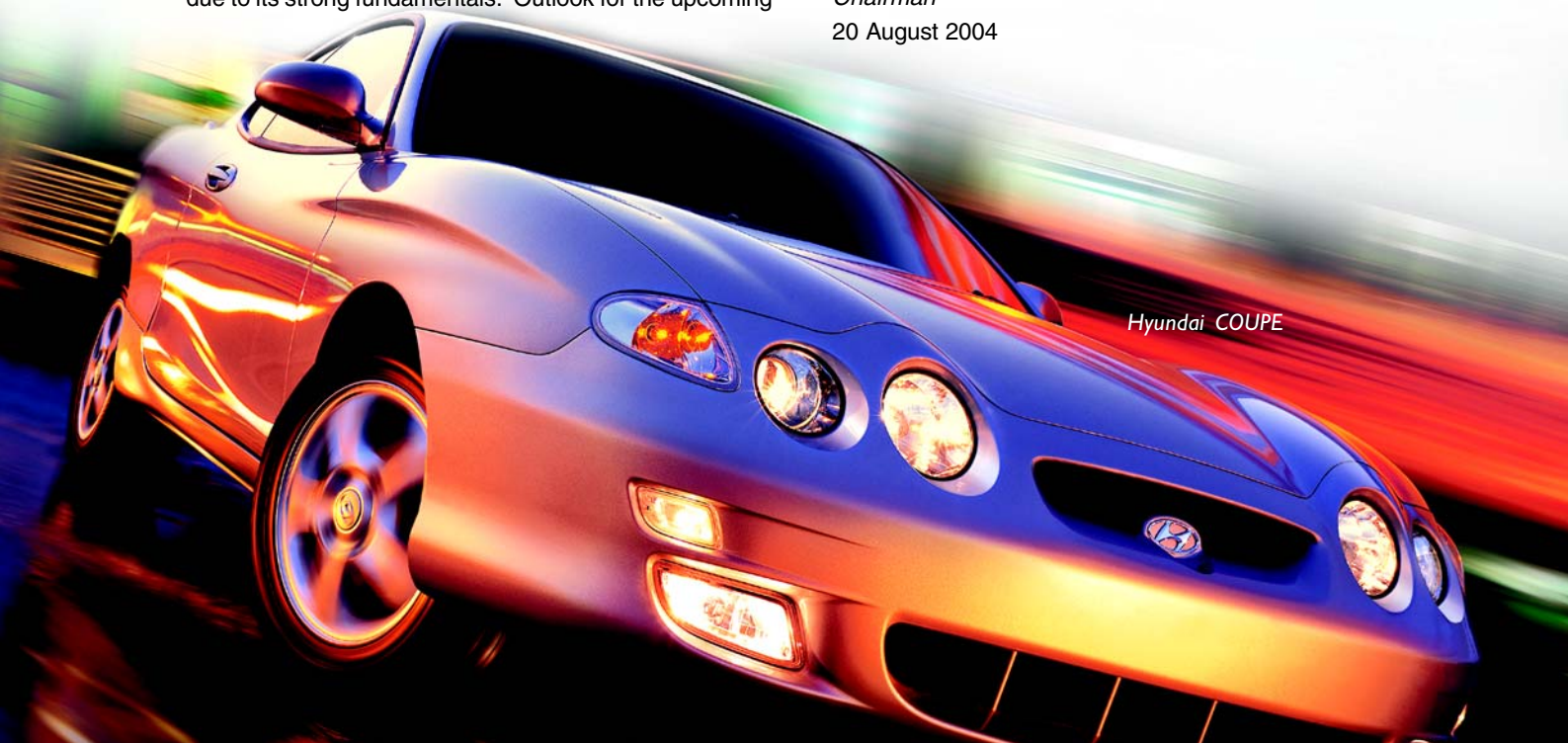
#### **ACKNOWLEDGEMENT**

On behalf of the Board of Directors, I would like to express my appreciation to the management and staff for their dedication and commitment in their work. I also wish to thank all our customers, shareholders, business associates, financiers and the government authorities for their co-operation and support and look forward to their continued support in the future.

**Tan Sri Datuk Abdul Rahim bin Haji Din**

*Chairman*

20 August 2004



*Hyundai COUPE*

## AUDIT COMMITTEE REPORT

The Board of Directors of Hyundai-Berjaya Corporation Berhad is pleased to present the report of the Audit Committee for the financial year ended 30 April 2004.

### Audit Committee Members and Meeting Attendances

The members of the Audit Committee comprises the following:-

1. Lim Hock Chye  
Chairman/Independent Non-Executive
2. Dato' Mohd Salleh Bin Ahmad  
Independent Non-Executive
3. Lee Kok Chuan  
Executive Director

The Audit Committee held four (4) meetings during the financial year ended 30 April 2004. The details of attendance of the Audit Committee members are as follows:-

| Name                        | Attendance |
|-----------------------------|------------|
| Lim Hock Chye               | 4/4        |
| Dato' Mohd Salleh Bin Ahmad | 4/4        |
| Lee Kok Chuan               | 4/4        |

### Summary of activities of the Audit Committee

The Audit Committee has during the financial year ended 30 April 2004 undertaken the following activities in accordance with its terms of reference: -

- a) Reviewed quarterly and year-to-date unaudited financial results before submission to the Board for consideration and approval;
- b) Reviewed the external auditors' scope of work and audit plan for the year;
- c) Reviewed the special audit report prepared by an independent professional services firm in connection with the Group's corporate exercise and considered the audit findings in the Group's operating subsidiaries and actions taken by the management in response to the audit findings;

- d) Reviewed the adequacy and effectiveness of the system of internal controls and procedures of the Group's subsidiaries by reviewing the quality audit reports and management responses thereto and ensuring significant audit findings are adequately addressed by management, and provide suitable recommendations for improvements, supports and reports to the Audit Committee;

- e) Reviewed quarterly recurrent related party transactions reports and the shareholders' circular in relation to the recurrent related party transactions.

### Summary of activities of the Internal Audit Function

During the financial year, the Audit Committee has initiated steps in setting up an internal audit function for the automotive division as well as plans to outsource this function to the corporate shareholder's internal audit department for its specialist engineering division.

Surveillance audit report prepared by an independent certification body and internal quality audit report prepared by specially assigned personnel of the Group are presented to the management team of the organisation under review to assess the suitability, adequacy and effectiveness of the quality management system, which include opportunities for improvement. Cases of major issues highlighted in the quality audit findings, if any are brought to the attention of the Audit Committee.

### TERMS OF REFERENCE

#### 1. Membership

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Directors and at least one member of the Committee must be a member of the Malaysian Institute of Accountants or such other qualifications and experience as approved by the Bursa Malaysia Securities Berhad.

A quorum shall consist of two members and a majority of the members present must be Independent Directors.

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 three,



## AUDIT COMMITTEE REPORT (CONT'D.)

the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

### 2. Chairman

The Chairman of the Committee shall be an Independent Director appointed by the Board. He shall report on each meeting of the Committee to the Board.

### 3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Committee members and to the other members of the Board of Directors.

### 4. Frequency of meetings

Meetings shall be held not less than four times a year and will normally be attended by the Officer charged with the responsibilities of the Group's finance and representatives of the Internal Auditors from the professional firm. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary.

### 5. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee is also authorised to convene meetings with the external auditors excluding the attendance of the executive members of the Committee, wherever deemed necessary.

### 6. Duties

The duties of the Committee shall be:-

- (a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;
- (b) To discuss with the external auditors where necessary, on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- (c) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:-
  - going concern assumption
  - compliance with accounting standards and regulatory requirements
  - any changes in accounting policies and practices
  - significant issues arising from the audit
  - major judgemental areas
- (d) To prepare Audit Committee Report at the end of each financial year;
- (e) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditors' management letter and management's response;
- (g) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

## AUDIT COMMITTEE REPORT (CONT'D.)

(h) To do the following in respect of the internal audit function:-

- review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- review internal audit programme;
- ensure coordination of external audit with internal audit;
- consider the major findings of internal audit investigations and management's response and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of the staff of the internal audit function;
- approve any appointment or termination of senior staff member of the internal audit function;
- keep itself informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation;
- to monitor related party transactions entered into by the Company and its subsidiaries, and to ensure that the Directors report such transactions annually to shareholders via the annual report;
- to review and monitor the effectiveness of internal control systems and to evaluate the systems with the external auditors;

(i) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit Committee and the Board from time to time;

(j) In compliance with Paragraph 15.17 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to Bursa Securities.



## STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code of Corporate Governance ("Code") introduced in March 2000, sets out the principles and best practices for compliance by each organisation. Under the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, listed companies are required to state the extent of such compliance or provide alternative measures in areas where there are deviations from the principles and/or best practices.

The following statement sets out the Company's compliance with the principles of the Code.

### A) Directors

#### i) The Board

The Board is primarily responsible for the strategic direction of the Group. The Board meets at least four (4) times a year, with additional meetings being convened when necessary. During the financial year ended 30 April 2004, the Board met six (6) times. The details of the Directors attendance at these Board meetings are set out as follows:-

| Name  | Attendance |
|---|------------|
| Tan Sri Datuk Abdul<br>Rahim Bin Haji Din (Chairman)<br><i>Non-Independent/Non-Executive</i>  | 6/6        |
| Dato' Yeoh Choon San<br><i>Managing Director</i>  | 5/6        |
| Lee Kok Chuan<br><i>Executive Director</i>  | 4/6        |
| Amer Hamzah Ahmad<br><i>Executive Director</i><br>(Appointed on 28 November 2003)             | 2/6        |
| Freddie Pang Hock Cheng<br><i>Non-Independent/Non-Executive</i>                               | 6/6        |
| Dato' Mohd Salleh Bin Ahmad<br><i>Independent/Non-Executive</i><br>(Appointed on 7 July 2003) | 5/6        |
| Lim Hock Chye<br><i>Independent/Non-Executive</i><br>(Appointed on 7 July 2003)               | 5/6        |

#### ii) Board Balance

The Board currently comprises seven (7) Directors with varied experience and out of these, four (4) are non-executive. Of the non-executive directors, two are independent. The profiles of the Directors are set out on pages 3 and 4 of the Annual Report.

Dato' Mohd Salleh Bin Ahmad has been identified as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

#### iii) Supply of Information

All Directors have full and timely access to information concerning the Company and the Group. Board papers and reports include the Group performance and major operational, financial and corporate information are distributed to the Directors prior to Board Meetings and to enable Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

All Directors have access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

#### iv) Appointment to the Board

The Nomination Committee currently comprises the following members:-

- Tan Sri Datuk Abdul Rahim Bin Haji Din (*Chairman/Non-Independent Non-Executive*)
- Lim Hock Chye (*Independent Non-Executive*)
- Dato' Mohd Salleh Bin Ahmad (*Independent Non-Executive*)

The Committee is empowered by its terms of reference to perform amongst others the following primary functions:-

- Recommend new nominations to the Board;
- Recommend to the Board, Directors to fill the seats on Board Committees;
- Review annually the required mix of skills and experience and other qualities including core competencies which the Non-Executive Directors should bring to the Board.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D.)

### v) Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analyst Malaysia (RIIAM), an affiliate company of the Bursa Securities. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge on a continuous basis in compliance with the Practice Note 15/2003 of the Bursa Securities Listing Requirements on the Continuing Education Programme.

### vi) Re-election of Directors

Any Director appointed during the year is required under the Company's Articles of Association, to retire and seek election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Articles also requires that one-third of the Directors including the Managing Director, if any, to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election once every three years.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### B) Directors' Remuneration

#### i) Remuneration Committee

The Remuneration Committee currently comprises the following members:-

- a) Tan Sri Datuk Abdul Rahim Bin Haji Din  
(Chairman/Non-Independent Non-Executive)
- b) Lim Hock Chye (Independent Non-Executive)
- c) Lee Kok Chuan (Executive Director)

The primary function of the Remuneration Committee is to set up the policy framework and to make recommendations to the Board on all elements of the remuneration package and other terms of employment. Non-Executive Directors' Remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration.

#### ii) Details of the Directors' Remuneration

The Directors are satisfied that the current level of remuneration are in line with the responsibilities expected.

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorised into appropriate components for the financial year ended 30 April 2004 are as follows:-

|               | ←————— RM'000 —————→ |                                  |           |                  |              |
|---------------|----------------------|----------------------------------|-----------|------------------|--------------|
|               | Fees                 | Salaries and<br>other emoluments | Bonus     | Benefits-in-kind | Total        |
| Executive     | -                    | 1,282                            | 78        | 4                | 1,364        |
| Non-Executive | 64                   | -                                | -         | -                | 64           |
|               | <b>64</b>            | <b>1,282</b>                     | <b>78</b> | <b>4</b>         | <b>1,428</b> |



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D.)

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands are as follows:-

|                          | Number of Directors |               |
|--------------------------|---------------------|---------------|
|                          | Executive           | Non-Executive |
| Below RM50,000           | -                   | 3             |
| RM100,001 to RM150,000   | 1                   | -             |
| RM250,001 to RM300,000   | 1                   | -             |
| RM950,001 to RM1,000,000 | 1                   | -             |
|                          | 3                   | 3             |

### C) Relations with Shareholders and Investors

The Company recognises the importance of timely and regular dissemination of information to shareholders and investors of the Company via annual report and financial statements, circulars to shareholders, quarterly financial reports and the various announcements made during the year. These will enable the shareholders, investors and members of the public to have an overview of the Group's performance and operations.

The AGM also provides an opportunity for the shareholders to seek and clarify any issues relevant to the Company. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

### D) Accountability and Audit

#### i) Financial Reporting

The Directors aim to provide a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual report and quarterly financial statements.

The Directors are also responsible for ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing section.

#### ii) Statement of Directors' Responsibility in respect of the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D.)

### iii) Internal Control

The Board acknowledges that it is responsible for maintaining a sound system of internal controls, which provides reasonable assessment of effective operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. A statement on internal control of the Group is set out in pages 17 and 18 of the Annual Report.

### iv) Relationship with the auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's auditors, both internal and external. From time to time, the auditors highlight to the Audit Committee and the Board on matters that require the Board's attention.

## STATEMENT ON INTERNAL CONTROL

### Introduction

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements, the Board of Directors of Hyundai-Berjaya Corporation Berhad is pleased to provide the following statement on the state of internal control of the Company and its subsidiaries ("Group") for the financial year ended 30 April 2004.

### Internal Control

The Board of Directors of the Group acknowledges its responsibility for maintaining a sound system of internal control, and for reviewing its adequacy and integrity. However, the Board recognises that reviewing of the Group's systems of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Group's system of internal controls comprises the following key elements:

- **Control procedures**

Operating Procedures Manuals that set out the policies, procedures and practices to be adopted by the Group to ensure clear accountabilities and control procedures are in place for its business units. The Group will formalise additional standard written policies and procedures for certain operative functions for formal adoption by the Board.

- **Organisational structure and accountability levels**

The Group has a well defined organisational structure with clear lines of accountability and authority that sets out the decisions that need to be taken and the appropriate authority levels of management including matters that require Board approval.

- **Reporting and review**

Paramount to the Group's system of internal control is the role of the Executive Directors as the channel of communication between the Board and management. The Executive Directors who are assigned to manage the businesses of the Group implement the Board's expectations of the system of internal control.

The Executive Directors, together with their respective management team, attend various management and operations meetings, and carry out regular monitoring and review of financial results and budgets for businesses within the Group, including monitoring and reporting thereon, of performance against the operating plans and annual budgets. The Group's management teams communicate regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern.

The Executive Directors, in turn, will update the Board of any significant matters which require the latter's attention. Those monitoring and reporting processes present the ideal platform for the timely identification of the Group's risk, as well as systems to manage those risks.

- **Internal audit and Audit Committee**

During the financial year under review, the Audit Committee has initiated steps in setting up an internal audit function for the automotive division as well as plans to outsource this function to the corporate shareholder's internal audit department for its specialist engineering division.

The Group has also taken active steps to strengthen the internal control systems, particularly its specialist engineering division by conducting regular performance of surveillance and internal quality audits. Surveillance audit is performed by an independent certification body while the internal quality audit is performed by specially assigned personnel of the Group. These audits are directed in assessing the quality management system ("QMS") in place in the organization under review. The scope of the audits include the assessment as to whether the QMS of the organization under review is in conformity to the requirements of the quality standards set as well as other relevant requirements and whether the QMS in place has been effectively implemented. Audit results from both the surveillance and internal quality audits are presented to the management team of the organization under review to assess the suitability, adequacy and effectiveness of the QMS, which include opportunities for improvement. Cases of major issues highlighted in the quality audit findings, if any are brought to the attention of the Audit Committee.



## STATEMENT ON INTERNAL CONTROL (CONT'D.)

Further, any cases for improvement identified during the course of the statutory audit by the external auditors are brought to the attention of the Audit Committee through management letters or articulated at its Audit Committee meetings. In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

- **Risk Management**

The Group has an informal risk management process in place. The risk management of the Group's individual operating unit is assigned to the management who are accountable for the conduct and performance of their business within the agreed business strategy. Senior Management will assess and appraise the cost and benefits, impact on the Group, review the financial implications before any investment or significant expenditure is made.

The Group's interests are served through representations on the boards of the respective associated companies and receipt and review of management accounts, and enquiries thereon. These representations also provide the Board with information

for timely decision-making on the continuity of the Group's investments based on the performance of the associated companies. The extent of responsibility for internal control does not include that of the associated companies and jointly controlled entities as not being part of the Group for the purpose of this review.

The nature of risks means that events may occur which would give rise to unanticipated or unavoidable losses. The Group's system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, fraud or losses from occurring. It is possible that internal control may be circumvented or overridden. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The rationale of the system of internal controls is to enable the Group to achieve its corporate objectives within an acceptable risk profile and cannot be expected to eliminate all risks.

The Board is of the view that there are no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 30 April 2004. The Group continues to take the necessary measures to strengthen its internal controls.