



# CONTENTS

2	Company Profile
3	Corporate Information
4	Directors' Profile
7	Board Audit & Risk Management Committee Report
9	Notice Of Annual General Meeting
10	Statement Accompanying Notice Of Annual General Meeting
11	Group Financial Highlights
12	Corporate Governance And Internal Control
16	Chairman's Statement
22	Directors' Report

29	Balance Sheets
30	Income Statements
31	Statements Of Changes In Equity
32	Cash Flow Statements
35	Notes To The Financial Statements
58	Statement By Directors
58	Statutory Declaration
59	Report Of The Auditors To The Members
60	Other Information
	Form Of Proxy



# COMPANY PROFILE

Hong Leong Industries Berhad ("HLI") is principally an investment holding company. Activities of HLI's subsidiaries include manufacture, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes, manufacture, assembly and distribution of motorcycles and motorcycle components, manufacture and sale of ceramic tiles, manufacture and sale of polypropylene and polyethylene products, duplex board boxes and flexible packaging products.

Associated companies are involved in shipbuilding and ship repairing, production of motorcycles, motorcycle engines and spare parts and holdings of strategic investments.

HLI is a public listed company and its shares are traded on the Main Board of the Kuala Lumpur Stock Exchange.

# CORPORATE INFORMATION

## Directors

YBhg Tan Sri Quek Leng Chan  
(Executive Chairman)

Mr Kwek Leng San  
(President & Chief Executive Officer)

Mr Ron Lim Kim Chai  
(Group Managing Director - Automotive Group)

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

YBhg Dato' Dr Agoes Salim

Mr Chuah Chuan Thye

Mr David Edward Comley

## Secretaries

Ms Queek Chai Choo

Ms Joanne Leong Wei Yin

## Auditors

Ling Kam Hoong & Co  
No. 6-1 Jalan 3/64A  
Udarama Complex  
Off Jalan Ipoh  
50350 Kuala Lumpur  
Tel: 03-4042 3288  
Fax: 03-4042 0149

## Registrar

Hong Leong Nominees Sendirian Berhad  
Level 5, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel: 03-2164 1818  
Fax: 03-2164 3703

## Registered Office

Level 9, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel: 03-2164 2631  
Fax: 03-2164 2514

## Country Of Incorporation

Malaysia

## DIRECTORS' PROFILE

### YBhg Tan Sri Quek Leng Chan

#### *Executive Chairman/Non-Independent*

Tan Sri Quek Leng Chan, aged 59, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek was appointed to the Board of Hong Leong Industries Berhad ("HLI") on 12 May 1969. He is the Chairman of the Executive Share Option Scheme ("ESOS") Committee of HLI.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCo(M)"), Executive Chairman of Hong Leong Credit Berhad, Hong Leong Properties Berhad, Hume Industries (Malaysia) Berhad ("HIMB"), Hume Cemboard Berhad ("HCB"), Camerlin Group Berhad ("CGB") and Tasek Corporation Berhad, Chairman of Hong Leong Bank Berhad, HLG Capital Berhad, Hong Leong Finance Berhad ("HLF") and Hong Leong Assurance Berhad and a Director of O.Y.L. Industries Bhd ("OYL").

Tan Sri Quek attended all the Board meetings of HLI held during the financial year ended 30 June 2002.

He has no conflict of interest with HLI and has no convictions for offences within the past ten years.

### Mr Kwek Leng San

#### *President & Chief Executive Officer/Non-Independent*

Mr Kwek Leng San, aged 47, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University, London. He was appointed as a Director of Malaysian Pacific Industries Berhad ("MPI") on 20 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993. Presently, he is the Executive Chairman of MPI and the President & Chief Executive Officer of HLI and HIMB.

Mr Kwek was appointed to the Board of HLI on 1 September 1990 before assuming his present position as the President & Chief Executive Officer on 16 August 1993. He is a member of the ESOS Committee, Share Transfer Committee and Board Audit & Risk Management Committee of HLI.

He is the Executive Chairman of Guolene Packaging Industries Berhad, Chairman of Industrial Concrete Products Berhad, Group Managing Director of CGB and a Director of HCB, OYL, Southern Steel Berhad ("SSB") and HLCo(M).

He attended all the Board meetings of HLI held during the financial year ended 30 June 2002.

Mr Kwek is a brother of Tan Sri Quek Leng Chan, the Executive Chairman and a deemed major shareholder of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

### Mr Ron Lim Kim Chai

#### *Group Managing Director (Automotive Group)/Non-Independent*

Mr Ron Lim Kim Chai, aged 55, a Malaysian, graduated from University of Canterbury with a Bachelor of Commerce degree. He is an Associate Chartered Accountant (ACA) of the Institute of Chartered Accountants of New Zealand and a Registered Accountant (Malaysia). Mr Ron Lim has more than 20 years of experience in the financial, manufacturing and trading sectors. He joined the Hong Leong Group Malaysia as the General Manager of Hong Leong Equipment Sdn Bhd and subsequently as the General Manager of Hong Leong Yamaha Distributors Sdn Bhd. Mr Ron Lim was promoted to the position of Senior General Manager, heading the motorcycles division prior to his appointment to the Board as Group Managing Director (Automotive Group) of HLI on 16 August 1993.

He is a member of the ESOS Committee and Share Transfer Committee of HLI. He is also a Director of HLLS Holdings Bhd.

He attended all the Board meetings of HLI held during the financial year ended 30 June 2002.

Mr Ron Lim has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

## DIRECTORS' PROFILE

(continued)

### YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar

*Non-Executive Director/Independent*

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar, aged 57, a Malaysian, graduated from University of Cairo with a Bachelor of Economics/Political Science degree. She also holds a Diploma in Public Relations from the Malaysian Institute of Public Relations. YAM Tunku Dara is a founder and governor of Kolej Tuanku Ja'afar and is a shareholder and Director of Syarikat Pesaka Antah.

YAM Tunku Dara was appointed to the Board of HLI on 19 June 1971. She is a member of the Board Audit & Risk Management Committee of HLI.

She attended all the Board meetings of HLI held during the financial year ended 30 June 2002.

YAM Tunku Dara has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

### YBhg Dato' Ahmad Johari bin Tun Abdul Razak

*Non-Executive Director/Independent*

Dato' Ahmad Johari bin Tun Abdul Razak, aged 47, a Malaysian, graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in law and qualified as a Barrister-at-Law from Lincoln's Inn. Dato' Ahmad Johari has been the Group Managing Director of Ancom Berhad since July 1994.

Dato' Ahmad Johari was appointed to the Board of HLI on 2 January 1981. He is the Chairman of the Board Audit & Risk Management Committee of HLI.

He is the Chairman of Courts Mammoth Berhad and Daiman Development Berhad and a Director of Nylex (M) Berhad and Daiman Golf Berhad.

Dato' Ahmad Johari attended three (3) out of four (4) Board meetings of HLI held during the financial year ended 30 June 2002.

Dato' Ahmad Johari has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

### YBhg Dato' Dr Agoes Salim

*Non-Executive Director/Independent*

Dato' Dr Agoes Salim, aged 68, a Malaysian, graduated from University of Wisconsin, United States of America with a Doctorate of Philosophy in Agricultural Economics. Dato' Dr Agoes was in the Malaysian Administrative and Diplomatic Service from 1958 to 1973 and the Chairman and Managing Director of Bank Pertanian Malaysia from 1971 to 1981 before joining the private sector. Presently, he is the Executive Chairman of Ready Mixed Concrete Malaysia Sdn Bhd.

Dato' Dr Agoes was appointed to the Board of HLI on 2 January 1981. He does not sit on any committees of HLI.

Dato' Dr Agoes attended two (2) out of four (4) Board meetings of HLI held during the financial year ended 30 June 2002.

He has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

## DIRECTORS' PROFILE

(continued)

### Mr Chuah Chuan Thye

*Non-Executive Director/Non-Independent*

Mr Chuah Chuan Thye, aged 46, a Malaysian, graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree. He has more than 20 years experience in the business and finance sectors. Mr Chuah commenced employment as a manager in Hong Bee Hardware Co Sdn Bhd ("Hong Bee") in 1979 and subsequently appointed as a Director of Hong Bee in 1984. Presently, he is the Managing Director of Hong Bee Group of Companies.

Mr Chuah was appointed to the Board of HLI on 1 December 1993. He does not sit on any committees of HLI. He is also a Director of HLF.

He attended all the Board meetings of HLI held during the financial year ended 30 June 2002.

Mr Chuah has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

### Mr David Edward Comley

*Non-Executive Director/Non-Independent*

Mr David Edward Comley, aged 53, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to his appointment as the Group Managing Director of MPI, he was with ITEQ Europe and AMKOR ANAM Europe Ltd ("AMKOR"). In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

He was appointed to the Board of HLI on 1 May 1994. He does not sit on any committees of HLI.

Mr David Comley attended all the Board meetings of HLI held during the financial year ended 30 June 2002.

Mr David Comley has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

# BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## Constitution

The Board Audit Committee of Hong Leong Industries Berhad ("HLI" or "the Company") has been established since 21 March 1994.

During the financial year ended 30 June 2002, the Board Audit Committee has been re-designated as the Board Audit & Risk Management Committee ("the Committee").

## Composition

YBhg Dato' Ahmad Johari bin Tun Abdul Razak (*Chairman, Independent Non-Executive Director*)

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar (*Independent Non-Executive Director*)

Mr Kwek Leng San (*Non-Independent Executive Director*)

## Secretary

The Secretary to the Committee is Ms Queek Chai Choo, who is the Joint Company Secretary of HLI.

## Terms Of Reference

The terms of reference of the Committee have been revised to conform to the Listing Requirements of the Kuala Lumpur Stock Exchange.

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the Group's officers to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions and resources of the internal audit functions.
- To review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as may be agreed to by the Committee and the Board.

## Authority

The Committee is authorised by the Board to review any activity of HLI and its subsidiaries ("the Group") within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

# BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(continued)

## Meetings

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit and external auditors are invited to attend Committee meetings. At least once a year, the Committee will have a separate session with the external auditors without the presence of executive directors.

Two (2) members of the Committee shall constitute a quorum.

After each Committee meeting, the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

## Activities

The Committee carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2002, five (5) Committee meetings were held and all the meetings were attended by all the Committee members.

The Committee reviewed the quarterly reports and annual financial statements of the Group. The Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The Committee reviewed the internal auditor's audit findings and recommendations.

In addition, the Committee reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The Committee reviewed and approved various related party transactions carried out by the Group.

## Internal Audit

During the financial year ended 30 June 2002, the internal audit department carried out its duties covering business audit, system and financial audit.



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty-ninth Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 12 November 2002 at 3.00 p.m. in order:

1. to receive and consider the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2002;
2. to approve the payment of Directors' fees of RM260,000/- to be divided amongst the Directors in such manner as the Directors may determine;
3. to re-elect YBhg Tan Sri Quek Leng Chan, Mr David Edward Comley and Mr Chuah Chuan Thye, the retiring Directors;
4. to re-appoint Messrs Ling Kam Hoong & Co as Auditors of the Company and authorise the Directors to fix their remuneration;
5. as a special business, to consider and, if thought fit, pass the following ordinary motion:

## **Authority To Directors To Issue Shares**

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."; and

6. to consider any other business of which due notice shall have been given.

By Order of the Board

Queek Chai Choo

Joanne Leong Wei Yin

Secretaries

Kuala Lumpur

21 October 2002

## **NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting.
3. **Ordinary Resolution On Authority To Directors To Issue Shares**  
The Ordinary Resolution, if passed, will give authority to the Directors of the Company to issue ordinary shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange)

## **1. Directors who are standing for re-election at the Thirty-ninth Annual General Meeting of the Company**

Pursuant to Article 115 of the Company's Articles of Association

- (a) YBhg Tan Sri Quek Leng Chan;
- (b) Mr David Edward Comley; and
- (c) Mr Chuah Chuan Thye.

## **2. Details of attendance of Directors at Board Meetings**

There were four (4) Board meetings held during the financial year ended 30 June 2002. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 4 to 6 of the Annual Report.

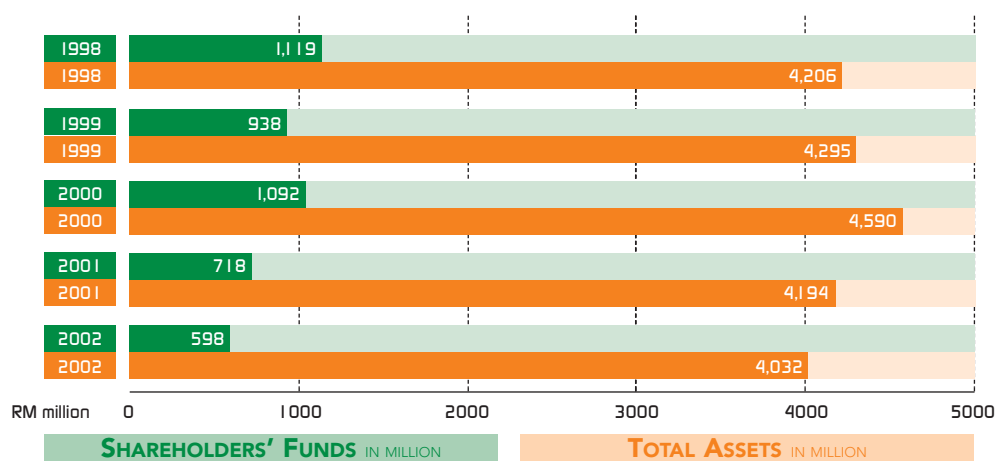
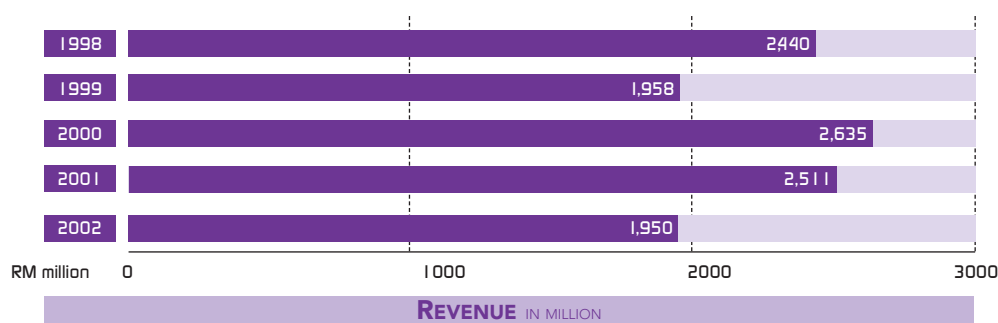
## **3. Place, Date and Time of Annual General Meeting**

The Thirty-ninth Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 12 November 2002 at 3.00 p.m.

## **4. Further details of individuals who are standing for election as Directors**

No individual is seeking election as a Director at the Thirty-ninth Annual General Meeting of the Company.

# GROUP FINANCIAL HIGHLIGHTS



	2002 RM Million	2001 RM Million	2000 RM Million	1999 RM Million	1998 RM Million
Revenue	1,950	2,511	2,635	1,958	2,440
(Loss)/Profit Before Taxation	(59)	127	513	(75)	(123)
Net (Loss)/Profit	(82)	110	473	(63)	(136)
Net (Loss)/ Earnings Per Share (sen)	(36)	(32)	87	(63)	(73)
Net Dividend Per Share (sen)	15	21	19	7	8
Shareholders' Funds	598	718	1,092	938	1,119
Total Assets	4,032	4,194	4,590	4,295	4,206
Capital Expenditure	154	384	454	228	323

# CORPORATE GOVERNANCE AND INTERNAL CONTROL

*"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders."*

*~ Finance Committee on Corporate Governance*

The Board of Directors has reviewed the manner in which the Malaysian Code on Corporate Governance ("the Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

## A Directors

### I The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

### II Board Balance

The Board of Directors comprises eight (8) directors, five (5) of whom are non-executive. Of the non-executive directors, three (3) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Board met four (4) times during the financial year ended 30 June 2002.

The Board has identified the Company Secretaries of the Company to whom concerns may be conveyed, who would bring the same to the attention of the Board.

### III Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and of the Group and management proposals which require the approval of the Board.

All directors have access to the advice and services of the Company Secretaries as well as to independent professional advice, including the internal auditors.

### IV Appointments to the Board

The Company does not have a Nomination Committee as all new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board.

The Company does not have a formal training programme for new directors. However, to assist the directors in discharging their duties, the Company has developed a Directors' Manual and each new director will be given a copy at the point of his appointment. The Directors' Manual highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. The new director will be given briefing on the business of the Group and regulatory issues. Directors of the Company will also be updated from time to time of any new or changes to companies and securities legislations, rules and regulations.

During the financial year just ended, all directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysis Malaysia ("RIIAM"), an affiliate company of the Kuala Lumpur Stock Exchange. Subsequently, all directors are required to attend the Continuous Education Programme conducted by RIIAM.

### V Re-election

All directors are required to submit themselves for re-election every three years.

## B Directors' Remuneration

### I Level and make-up of Remuneration

The Company does not have a Remuneration Committee.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual business plan and budget.

For non-executive directors, the level of remuneration reflects the level of responsibilities undertaken by them.

### II Procedure

The remuneration packages of all executives of the Group including executive directors are laid out in the Group's Human Resources Manual which is reviewed from time to time to align with market/industry practices.

The fees of directors, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting.

### III Disclosure

The aggregate remuneration of directors (including remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2002 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	322,000	2,110,000	2,432,000
Non-Executive Directors	223,000	2,238,000	2,461,000

The number of directors whose remuneration falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	3
50,001 – 100,000	1	1
100,001 – 800,000	-	-
800,001 – 850,000	1	-
850,001 – 1,500,000	-	-
1,500,001 – 1,550,000	1	-
1,550,001 – 2,250,000	-	-
2,250,001 – 2,300,000	-	1

## C Shareholders

### I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circular to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

### II Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

## D Accountability and Audit

The Board Audit Committee was established on 21 March 1994. The Board Audit Committee has been re-designated as the Board Audit & Risk Management Committee ("the Audit & Risk Committee") on 27 August 2001. The financial reporting and internal control system of the Group is overseen by the Audit & Risk Committee which comprises a majority of non-executive directors. The primary responsibilities of the Audit & Risk Committee are set out in the Board Audit & Risk Management Committee Report.

The Audit & Risk Committee met five (5) times during the financial year ended 30 June 2002. All meetings were attended by all members of the Audit & Risk Committee.

The Head of Internal Audit reports directly to the Audit & Risk Committee and provides the Audit & Risk Committee and management with an independent assessment of the adequacy of risk management practices. Significant breaches and deficiencies identified are discussed at the Audit & Risk Committee and the relevant management meetings where appropriate actions are taken.

### I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the Audit & Risk Committee which assesses the financial statements with the assistance of the external auditors.

### II Internal Control

The Statement on Internal Control as detailed under paragraph E of this Statement provides an overview of the state of internal controls within the Group.

### III Relationship with Auditors

The appointment of external auditors is recommended by the Audit & Risk Committee which determines the remuneration of the external auditors. The external auditors meet with the Audit & Risk Committee to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

## E Statement On Internal Control

The Board of Directors, recognising its responsibilities in ensuring sound internal controls, has developed a risk management framework for the Group to assist it in:

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures to manage these risks; and
- monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the newly designated Board Audit & Risk Management Committee ("the Audit & Risk Committee") with the responsibility to oversee the implementation of the risk management framework of the Group.

The Board, in concurrence with the Audit & Risk Committee, has appointed a Risk Manager ("RM") to administer the risk management framework. The RM is responsible to:

- periodically evaluate all identified risks for their continuing relevance in the operating environment and inclusion in the Risk Management Framework;
- assess adequacy of action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- regularly report to the Audit & Risk Committee on the state of internal controls and the management of risks throughout the Group.

## Statement On Internal Control (continued)

The Audit & Risk Committee, assisted by the Internal Audit Department, provides oversight on the proper functioning of the risk management framework as part of its function of monitoring compliance with the business objectives, policies, reporting standards and control procedures of the Group.

These on going processes have been in place for the year under review and reviewed regularly by the Audit & Risk Committee.

The controls built into the risk management framework are not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

In associated companies, the Board nominates representatives to sit as directors and take a proactive stance in assessing the performance of the entity with the goal of safeguarding the investment of the Group. Where practical, the Group may request functional, financial and operating information as well as assurance that such information have been prepared in accordance with reporting standards and have been derived from control environments acceptable to the Group.

## F Directors' Responsibility In Financial Reporting

The Listing Requirements of the Kuala Lumpur Stock Exchange require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of financial year and of the results and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2002, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.