



CORPORATE GOVERNANCE STATEMENT

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability and corporate performance.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Directors are fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the Principles and Best Practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance (the "Code") respectively.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year ended 30 June 2003, unless otherwise stated.

Principles statement

The following statement sets out how the Company has applied the Principles in Part 1 of the Code.

A. Directors

The Board

The Group recognizes the important role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals. Although it does not have a formal schedule of matters reserved to it for decision, the Board is normally involved in deciding the overall Group strategy and direction, acquisition and divestment policy, approval of capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the Group.

Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year, the Board met on four (4) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group.

The Board receives documents on matters requiring its consideration in advance of each meeting. Proceedings of Board meetings are recorded and the minutes thereof signed by the Chairman of the meeting.



The following Directors attended all the four (4) meetings held during the financial year:

Executive	Dato' Haji Thobrani Bin Haji Hanafi – Chairman
	Goh Cheng Hock – Managing Director
	Goh Aik Lai – Deputy Managing Director
	Koay Leong Eng
Non-Independent Non-Executive	Lim Hai Hong @ Lim Hai Hak
	Chai Tin Kok @ Sua Ah Seng
Independent Non-Executive	Gee Kok Sang
	Tuan Haji Ahmad Bin Abdul Rashid
	Chin Kuet Sen

Board Committees

The Board of Directors delegates certain responsibilities to Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Employee Share Option Scheme ("ESOS") Committee in order to enhance business and operational efficiency as well as efficacy. The ESOS Committee was established to administer the Company's ESOS in accordance with the bye-laws thereof to determine, amongst others, participation eligibility, option offers and share allocations.

Board balance

At the date of this statement, the Board consists of nine (9) members, comprising four (4) Executive Directors, two (2) Non- Executive Directors and three (3) Independent Non-Executive Directors. A brief profile of each Director is presented on pages 5 and 6 of the Annual Report.

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE".) The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management (non-executive Directors) and who are free of any relationship, which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements, which requires that at least two Directors or one-third of the Board of the Company, whichever is the higher, are independent Directors.

The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. The Non-Executive and Independent Non-Executive Directors bring to bear objective and independent judgment to the decision making of the Board and provide a capable check and balance for the Executive Directors.



The Non-Executive and Independent Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. The Board is led by Dato' Haji Thobrani Bin Haji Hanafi as the Executive Chairman whilst the executive management of the Group is led by Mr Goh Cheng Hock, the Group Managing Director.

The roles of Chairman and Group Managing Director are defined with their individual position responsibilities. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Group Managing Director is responsible for the day-to-day management of the business as well as implementation of Board's policies and decisions.

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company.

Supply of information

The Board recognizes that effectiveness of the decision-making process is highly contingent on the strength of information furnished. As such, Directors have unrestricted access to any information pertaining to the Group.

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of Board meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at Board meeting and expedites decision-making process.

Before meetings of the Board and Board Committees, appropriate documents, which include the agenda and reports relevant to the issues of the meetings, covering the areas of financial, operational and regulatory compliance matters, are circulated to all members concerned, to enable them to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

Every Director also has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association allow the appointment of a temporary substitute for the Secretary who shall be deemed the Secretary during the term of the appointment.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, before releasing them to the KLSE.

There is a formal procedure sanctioned by the Board for Directors, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of its duties, at the Group's expense.



Appointments to the Board

Nominating Committee

The Nominating Committee comprises the following members during the financial year:

- Tuan Haji Ahmad Bin Abdul Rashid - Chairman, Independent Non-Executive Director
- Chin Kuet Sen - Independent Non-Executive Director
- Lim Hai Hong @ Lim Hai Hak - Non-Independent Non-Executive Director

The Committee consists entirely of non-executive Directors, the majority of whom are independent.

The full Committee met once during the financial year.

The Nominating Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations on the appointment of new Directors. The Committee is to systematically keep under review the effectiveness of the Board and Board Committees as a whole and for assessing the contribution of each individual Director in discharging his duties in the most conscientious manner.

The Committee shall meet whenever there is a need for the Committee to perform its function, and at least once every year in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company.

Directors' training

The Directors, through the Nominating Committee, ensures that it recruits to the Board only individuals of sufficient caliber, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training or orientation programme for Directors.

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia. Going forward, the Directors will continue to undergo other relevant training programs such as those included under the Continuing Education Program promulgated by the KLSE to further enhance their skills and knowledge.

Re-election

The Articles of Association provide that an election of Directors shall take place each year and, at the Annual General Meeting ("AGM"), one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election.

The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

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

The Remuneration Committee comprises the following members during the financial year:

- Gee Kok Sang - Chairman, Independent Non-Executive Director
- Tuan Haji Ahmad Bin Abdul Rashid - Independent Non-Executive Director
- Chai Tin Kok @ Sua Ah Seng - Non-Independent Non-Executive Director

The Remuneration Committee met twice during the financial year. All the members attended the meetings.

The Committee consists entirely of non-executive Directors, the majority of whom are independent. The Remuneration Committee's terms of reference include recommending to the Board a structured remuneration framework for Executive Directors.

The determination of remuneration packages of Non-Executive Directors shall be a matter for the Board as a whole, with individual Directors abstaining from decisions in respect of their individual remuneration.

The policy adopted by the Committee on Directors' remuneration is to structure remuneration packages necessary to attract, retain and motivate Directors to effectively manage the business of the Group.

Details of the Directors' remuneration

Details of Directors' remuneration during the financial year are as follows:

Category	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	80	100	180
Allowances	10	21	31
Salaries	924	-	924
Bonuses	385	-	385
EPF	157	-	157
Estimated Value of Benefit-in-kind	76	-	76
Others	-	-	-
Total	1,632	121	1,753

The remuneration paid/payable to Directors, analysed into bands of RM50,000 for the financial year ended 30 June 2003, are summarised as follows: -

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM250,001 - RM300,000	1	-
RM300,001 - RM350,000	1	-
RM400,001 - RM450,000	1	-
RM600,001 - RM650,000	1	-



C. Shareholders

The Company recognises the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting and Extraordinary General Meeting. It has been the Company's practice to send the Notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting. At the AGM, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

In addition, the Company makes various announcements through the KLSE, in particular, the timely release of its quarterly financial results within two months from the close of a particular quarter.

Whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. In any of the circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders.

D. Accountability and audit

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results to shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the results of their operations and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State of internal controls

The Internal Control Statement furnished on pages 23 to 25 of the Annual Report provides an overview on the state of internal controls within the Group.



Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 20 to 22 of the Annual Report.

A summary of the activities of the Audit Committee during the financial year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on page 19 of the Annual Report.

Compliance statement

The Company has complied throughout the financial year with all the Best Practices of corporate governance set out in Part 2 of the Code, except for the following:

- A Senior Independent Non-Executive Director to whom concerns may be conveyed has not been identified by the Board as the Directors are of the opinion it is sufficient that the Chairman normally encourages full discussion and deliberation by all Directors during Board meetings;
- The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on significant matters that concern the overall strategy of the Group such as major investment or divestment decisions, financial and operating performance, acquisition and disposal of fixed assets; and
- The Board, together with the Group Managing Director, has not developed formal position descriptions for the Board and the Group Managing Director. This is due to the current set-up of the Board whereby a majority of the Directors have been with the Group since its commencement and thus, are cognisant of their respective responsibilities. Nevertheless, to enhance corporate governance practice, the Board would consider formulating a Board Charter, which delineates the role and responsibilities of the Board as well as the differing roles of the Executive Directors and Non-Executive Directors;

This statement is issued in accordance with a resolution of the Directors dated 29 September 2003.



AUDIT COMMITTEE REPORT

Membership

The present members of the Audit Committee (the "Committee") comprise:

Name of member	
Gee Kok Sang	Chairman, Independent Non-Executive Director
Tuan Haji Ahmad Bin Abdul Rashid	Independent Non-Executive Director
Chin Kuet Sen	Independent Non-Executive Director
Koay Leong Eng	Executive Director

Terms of reference

The Committee was established to act as a Committee of the Board of Directors, with terms of reference as set out on pages 20 to 22 of the Annual Report.

Meetings

The Committee convened five (5) meetings, which were attended by all the members, during the financial year. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Company Secretary or representative of the Company Secretary was present by invitation at all the meetings. The external auditors and internal auditor also attended the meetings upon invitation.

Summary of activities during the financial year

The Committee carried out its duties in accordance with its terms of reference during the financial year. The main activities undertaken by the Committee are as follows:

- Reviewed the external auditors' scope of work and audit plan for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan;
- Reviewed with the external auditors the results of the audit and the audit/accounting issues;
- Reviewed the Enterprise Risk Management reports and approved the internal audit strategy and plan for financial years 2003 to 2005;
- Reviewed the internal audit report, which highlighted the audit issues, recommendations and Management's response;
- Reviewed the Company's compliance, in particular the quarterly and year end financial statements, with the KLSE Listing Requirements and other relevant legal and regulatory requirements, before recommending them for the Board's approval; and
- Reviewed related party transactions entered into by the Group.



Internal audit function

The Group outsourced its internal audit function to an independent firm of consultants to carry out internal audit review of the Group. The principal role of the internal audit function is to undertake independent regular and systematic reviews of the systems of internal control to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year ended 30 June 2003, the internal audit function carried out 2 cycles of internal audit review to test the effectiveness of the internal control system of the Group.

Further details of the activities of the internal audit function are set out in the Internal Control Statement set out on page 24 of the Annual Report.

Terms of reference of the Audit Committee

Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, the majority of whom shall be Independent Non-Executive Directors of the Company.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - the person must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - the person must be a member of the associations of accountants specified in Part II of the Accountants Act 1967.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.



The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed a member of the Committee.

The Board shall review the terms of office of each of its members at least once (1) every three (3) years.

Quorum and Committee's procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with Management, and at least once every year with the internal auditor and external auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal convention on such matter.

Authority

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal auditor and external auditors and with Senior Management of the Group and shall be able to convene meetings with the external auditors whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

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 KLSE Listing Requirements, the Committee shall promptly report such matter to the KLSE.



Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal;
- To discuss with external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Group and Company, focusing particularly on:
 - any changes in significant accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with applicable accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of Management, where necessary);
- To review the external auditors' management letter and Management's response;
- To do the following where an internal audit function exists:
 - review the adequacy of the scope and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of the internal audit function;
 - inform itself of resignation of the internal audit function and provide the personnel concerned an opportunity to submit the reasons for resigning.
- To consider any related party transactions that may arise within the Company and/or Group;
- To consider the major findings of internal investigations and Management's response; and
- To consider other topics as defined by the Board.



INTERNAL CONTROL STATEMENT

Introduction

Paragraph 15.27(b) of the KLSE Listing Requirements requires the Board of Directors of public listed companies to include in its Annual Report a "statement about the state of internal control of the listed issuer as a group". The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year. The associated company has not been considered in this statement as the Board does not consider it significant in relation to the Group.

Board Responsibility

The Board acknowledges that it is ultimately responsible for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter-alia, risk management and financial, organizational, operational and compliance controls.

The Board is fully aware of the publication on the *Statement on Internal Control: Guidance to Directors of Public Listed Companies* (the "Internal Control Guidance"). Accordingly, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group that has been in place for the year since November 2002 and up to the date of approval of the Annual Report and financial statements.

The Enterprise Risk Management project was completed in November 2002 and as part of continuous improvement, the Board has approved a group-wide policy for the management of risk in formalizing the group-wide risk management practices.

Enterprise risk management framework

The Board fully supports the contents of the Internal Control Guidance and appointed a firm of consultants to assist it in the review of the existing risk management processes in place within the principal operating businesses. Besides strengthening risk management functions, the objective of the enterprise risk management project is aimed to formalize and embed a risk management process across the Group in order to sensitise all employees within the Group more strongly to risk identification, evaluation, control, ongoing monitoring and reporting.

The formalization of the enterprise risk management framework involved the following initiatives, which were taken during the financial year:

- The issuance of a Risk Management Policy and Procedure document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues;



- Workshops and interviews were conducted with Directors and operational managers from the major business units in the Group. A database of all risk and controls has been created, and information filtered to produce a detailed risk register, and risk profiles for the Group. Key risks to each business unit's objectives aligned with the Group's strategic objectives, were identified and scored for likelihood of the risks occurring and the magnitude of impact; and
- A consolidated risk profile of the Group was developed, which together with a summary of the key findings, was discussed in the Audit Committee meeting before being submitted to the Board for consideration.

The next steps in the risk management process are as follows:

- Key management to be nominated in each business unit to prepare action plans, with implementation time-scales to address the risk and control issues;
- To establish a Group Risk Management Committee with the responsibility to identify and communicate to the Audit Committee and the Board, on an ongoing basis, the critical risks the Group faces, their changes, and the management action plans to manage the risks;
- Appoint a dedicated Risk Officer or outsource to consultants, as appropriate, to update the risk assessment of the Group;
- Submitting quarterly risk management reports by individual business units to the Group Risk Management Committee; and
- Formal periodic review by the Board on the adequacy and integrity of the system of internal control.

Internal audit function

The Group outsourced its internal audit function to an independent firm of consultants, which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control of the Group.

Internal audit reviews the internal controls in the key activities of the Group's businesses based on a 3-year internal audit strategy and a detailed annual internal audit plan presented to the Audit Committee for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group. Recommendations for improvements noted by the internal audit function are followed up for implementation by Management.

Other risk and control processes

Apart from risk management and internal audit, the Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability.



The procedures include the establishment of limits of authority coupled with internal checks and the issuance of policies on health and safety, human resource issues, staff performance and serious misconduct. These procedures are relevant across Group operations and provide for continuous assurance to be given at increasingly higher levels of Management and, finally to the Board.

The Group Managing Director reports to the Board on significant changes in the business and the external environment, which affects the operations of the Group at large.

The Executive Director in charge of finance provides the Board with quarterly financial information, including pertinent explanations on the performance of the Group vis-a-vis the market situation.

Where areas of improvement in the system are identified, the Board will consider the recommendation made by the Audit Committee and the Management for implementation.

Weaknesses in internal controls that result in material losses

There were no material losses incurred during the financial year ended 30 June 2003 resulting from weaknesses in internal control. The Board and Management continue to take measures to strengthen the control environment.

This statement is issued in accordance with a resolution of the Directors dated 29 September 2003.