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# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty-First Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 24 June 2004 at 9.00 a.m. for the following purposes:-

1. To receive the audited financial statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2003.
2. To approve Directors' fees of RM30,000.00.
3. To consider and, if thought fit, pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
  - i) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dr Ngui Chon Hee be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
  - ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Wong Aun Phui be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
4. To re-elect the following Directors:-
  - i) Mr Tan Peng Hock
  - ii) Dato' Haji Abdul Raman bin Suliman
5. To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration.
6. Special Business:-

To consider and, if thought fit, pass the following Ordinary Resolution:-

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting or until the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided always that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being".
7. To transact any other business of which due notice shall have been received.

By order of the Board

Lai Chee Leong  
Chik Wai Ming  
*Company Secretaries*

Kuala Lumpur  
2 June 2004

## EXPLANATORY NOTE TO SPECIAL BUSINESS

The Ordinary Resolution proposed under item 6, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting to allot and issue shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.

### Notes:-

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but if he is not a member, he must be a qualified legal practitioner, approved company auditor, a person approved by the Companies Commission of Malaysia in the particular case or a person approved by the Directors prior to the appointment.
2. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one proxy only in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member, other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The Form of Proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney.
4. The Form of Proxy must be deposited at the registered office of the Company at 14th Floor, MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

## **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

1. Directors who are standing for re-appointment/re-election are:-

- |  |   |
|--|---|
| (a) Dr Ngui Chon Hee                   | - Retiring pursuant to Section 129 of the Companies Act, 1965               |
| (b) Mr Wong Aun Phui                   | - Retiring pursuant to Section 129 of the Companies Act, 1965               |
| (c) Mr Tan Peng Hock                   | - Retiring pursuant to Article 109 of the Company's Articles of Association |
| (d) Dato' Haji Abdul Raman bin Suliman | - Retiring pursuant to Article 109 of the Company's Articles of Association |

2. Details of attendance of Directors at Board Meetings.

There were seven (7) Board Meetings held during the financial year ended 31 December 2003. Details of attendance of the Directors are set out in the Profile of Directors appearing on pages 5 and 6 of the Annual Report.

3. The Forty-First Annual General Meeting of the Company will be held at Crystal Ballroom, Corus hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 24 June 2004 at 9.00 a.m.

# CORPORATE INFORMATION

## Board of Directors

Dr Tong Keng Tatt, *Chairman*

Dr Ngui Chon Hee, J.S.M., K.M.N., S.M.T., *Deputy Chairman*

Wong Aun Phui, *Chief Executive Officer*

Cheong Siew Mooi, *Senior Executive Director*

Khet Kok Yin

Tan Peng Hock

Dato' Haji Abdul Raman bin Suliman

## Company Secretaries

Lai Chee Leong

Chik Wai Ming

## Auditors

KPMG, *Chartered Accountants*

## Registrar

Pan Malaysia Management Sdn Bhd

6th Floor, MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur

Tel No. 03-21487696 Fax No. 03-21442118

## Registered Office

14th Floor, MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur

Tel No. 03-21411891 Fax No. 03-21444755

## Bankers

Bumiputra-Commerce Bank Berhad

Malayan Banking Berhad

RHB Bank Berhad

Southern Bank Berhad

United Overseas Bank (Malaysia) Berhad

## **PROFILE OF DIRECTORS**

### **Dr Tong Keng Tatt**

Age 66. Independent Non-Executive Director and Chairman. Appointed as Director on 9 April 1990 and as Chairman on 28 September 1999. Chairman of the Audit and Remuneration Committees. Also a member of the Nomination Committee. Holds a Bachelor of Medicine and Bachelor of Surgery from the University of Singapore. Formerly with the Ministry of Health in Singapore for three (3) years before setting up his medical practice in 1966 in Kuala Lumpur. A founder member of the College of General Practice Malaysia. Attended all the seven (7) Board Meetings held during the financial year.

### **Dr Ngui Chon Hee**

Age 70. Non-Independent Non-Executive Director and Deputy Chairman. Appointed as Director on 28 February 2000. A member of the Remuneration Committee. A retired dental surgeon. Holds a Bachelor of Dental Surgery from the University of Singapore. Also, a Fellow in Dental Surgery of the Royal College of Surgeons of England. Had served in the Malaysian Health Service as a dental officer and retired as Senior Dental Consultant. Currently, also a Director of Malayan United Industries Berhad, Pan Malaysian Industries Berhad, Metrojaya Berhad and MUI Continental Insurance Berhad. Is the brother-in-law of Tan Sri Dato' Dr Khoo Kay Peng, a deemed substantial shareholder of Pan Malaysia Corporation Berhad. Attended all the seven (7) Board Meetings held during the financial year.

### **Cheong Siew Mooi**

Age 51. Appointed as Director and Executive Director of the Company on 1 November 2002 and subsequently on 15 January 2004 was promoted as Senior Executive Director. Holds a LLB (Hons) degree from University of Malaya. Was a former Company Secretary/Legal Adviser of The Pacific Bank Berhad and Development & Commercial Bank Berhad in the early 1980s. During 1988 to 1997, she wrote and published nine (9) books on companies listed on Bursa Malaysia. She joined the Malayan United Industries Berhad group ("The MUI Group") on 1 May 1999. Was Executive Director of Metrojaya Berhad from 7 July 2000 to 31 October 2002. Currently, she is also a Director of Metrojaya Berhad. Attended all the seven (7) Board Meetings held during the financial year.

### **Khet Kok Yin**

Age 57. Non-Independent Non-Executive Director. Appointed as Director on 28 February 2000. Relinquished his position as Managing Director on 1 November 2002, but remained as Non-Executive Director. A member of the Audit Committee. Holds a Bachelor of Economics (Honours) from University of Malaya. Currently, also a Managing Director of Pan Malaysian Industries Berhad, Pan Malaysia Holdings Berhad and Pan Malaysia Capital Berhad. Currently, also a Director of Malayan United Industries Berhad, MUI Properties Berhad and MUI Continental Insurance Berhad. Had served as President of the North American operations of The MUI Group in the United States of America, Executive Director of MUI Bank Berhad (now known as Hong Leong Bank Berhad), Managing Director of Metrojaya Berhad and Managing Director of Morning Star Securities Ltd, Hong Kong. Attended all the seven (7) Board Meetings held during the financial year.

### **Tan Peng Hock**

Age 65. Independent Non-Executive Director. Appointed as Director on 20 August 1991. Was formerly Executive Director of Pan Malaysia Corporation Berhad until 28 June 2000. A member of the Audit and Nomination Committees. Holds a Diploma in Agriculture from University Pertanian Malaysia. Previously, an Agricultural Assistant in the Ministry of Agriculture and a Replanting Officer in the then Rubber Industry Replanting Board (RIRB), now known as Rubber Industry Smallholder Development Authority (RISDA). Had held various senior positions in a number of European and American multinational trading firms, subsequently, ran his own business dealing in pesticides and detergent formulating and manufacturing. Presently, runs his own business which is involved in the manufacture of latex medical gloves for the export market. Attended all the seven (7) Board Meetings held during the financial year.

### **Dato' Haji Abdul Raman bin Suliman**

Age 55. Independent Non-Executive Director. Appointed as Director on 1 September 1995. A member of the Remuneration Committee and Chairman of the Nomination Committee. Holds a Bachelor of Arts (Honours) Class Two Upper from University of Malaya. His career in government service, which began in 1972, culminated with his appointment as Parliamentary Secretary in the Ministry of Culture, Arts and Tourism between the period 1987 to 1995. Also sits on the Boards of Cygal Berhad and Audrey International (M) Berhad. Attended four (4) Board Meetings held during the financial year.

### **Wong Aun Phui**

Age 82. Appointed as Director on 25 June 2003. Obtained his Senior Cambridge Certificate from Cambridge University. Had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Chairman of Bandar Raya Developments Berhad. On completion of his contract in December 1984, he retired as Adviser of the then Bank Bumiputra Malaysia Berhad. He joined The MUI Group in June 1985 as Executive Advisor and since then, has served The MUI Group in various capacities which include that of Executive Director of the Manufacturing and Trading Division, Executive Director of Property Division, Managing Director of the Hotel and Property Division, Managing Director of the International Division and Special Projects Unit, and Managing Director of Cement and Building Materials Division. He was also the Adviser of the Company from March 1992 to 1993. Currently, also a Director of Pan Malaysian Industries Berhad, Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Negri Sembilan Oil Palms Berhad and Timor Oil Palm Plantation Berhad. Attended four (4) out of the five (5) Board Meetings held since his appointment on 25 June 2003.

#### *Note:-*

*Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of the Company. None of the Directors has any conflict of interest with the Company nor have they been convicted of any offences within the past ten (10) years.*

*All the Directors are Malaysians.*

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to the principles of corporate governance in the Malaysian Code of Corporate Governance (the “Code”).

The Board of Directors will continuously evaluate the status of the Group’s corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles and Best Practices of the Code.

Set out below is the description on the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

## **1. Directors**

### **1.1 The Board**

An effective Board leads and controls the Group. The Board is responsible for the overall performance of the Company and focuses mainly on strategies, performance, standards of conduct and critical business issues.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. The Chairman is responsible for setting the agenda for Board meetings. Any Board member may, however, recommend the inclusion of items on the agenda. Such recommendations will be accommodated to the extent practicable. The agenda reaches the Board at least two (2) to three (3) weeks prior to Board meetings. Board meetings are typically scheduled a year in advance.

Seven (7) Directors’ meetings were held during the financial year ended 31 December 2003. Details of the attendance of the Directors are disclosed on pages 5 and 6 of the Annual Report.

### **1.2 Board Balance**

The Board currently consist of seven (7) Directors:-

- One (1) Independent Non-Executive Chairman
- Two (2) Executive Directors
- Two (2) Independent Non-Executive Directors
- Two (2) Non-Independent Non-Executive Directors

There is a clear division of responsibility between the Chairman and Executive Directors to ensure there is a balance of power and authority. All major matters and issues are referred to the Board for consideration and approval. The roles and contributions of independent Directors also provide an element of objectivity, independent judgement and check and balance on the Board.

Together, the Directors bring a wide range of business and financial experience for effective direction and management of the Group's businesses. A brief description of the background of each Director is presented on pages 5 and 6 of the Annual Report.

The Board complies with Bursa Malaysia Listing Requirements that requires at least two (2) or one-third (1/3) of the Board, whichever is higher, to be independent Directors.

Dr Tong Keng Tatt has been identified as the senior independent non-executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within defined terms of reference. These committees are:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report of the Audit Committee for the financial year ended 31 December 2003 is set out on pages 16 and 17 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 9 and 10 respectively of the Annual Report.

### **1.3 Supply of Information**

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties, which is not only quantitative but also any other information deemed suitable.

Board papers are distributed to Board members at least seven (7) days prior to the meeting. Important matters that are reasonably expected to have a material effect on the price, value or market activity of the Company's shares may be discussed at the meeting without materials being distributed prior to the meeting.

In addition to Group performances that are discussed at the meeting, there is a schedule of matters reserved specifically for the Board's decision.

All Directors have access to the advice and service of the Company Secretary and where necessary, in the furtherance of their duties, obtain independent professional advice at the Group's expense.



## 1.4 Appointments to the Board

The members of the Nomination Committee are as follows:-

Chairman	Dato' Haji Abdul Raman bin Suliman	- Independent Non-Executive Director
Members	Dr Tong Keng Tatt	- Independent Non-Executive Director
	Mr Tan Peng Hock	- Independent Non-Executive Director

The duties and functions of the Nomination Committee are:-

- identifying and recommending new nominees for the Board and Board Committees
- annually assesses the effectiveness of the Board as a whole, the Board Committees and contribution of each Director on an on-going basis
- annually reviews the mix of skills, experience and other qualities, including core competencies of non-executive Directors
- annually reviews the Board structure, size and composition

The decision as to who shall be nominated shall be the responsibility of the full Board after considering the recommendations of the Nomination Committee.

The Directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Bursa Malaysia Listing Requirements and other regulatory requirements.

## 1.5 Directors' Training

All Directors have attended the Mandatory Accreditation Programme organised by the Research Institute of Investment Analysts Malaysia. Directors are also attending various training programmes accredited by Bursa Malaysia as specified under the guidelines on Continuing Education Programme for Directors issued by Bursa Malaysia in June 2003.

There is a familiarisation programme in place for new Board members, which include visits to the Group's businesses, and meetings with senior management as appropriate, to facilitate their understanding of the Group.

## 1.6 Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting following their appointment. The Articles also provide that all Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election.

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.

## 2. Directors' Remuneration

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of executive Directors, their remuneration are structured to link rewards to corporate and individual performance. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them.

The members of the Remuneration Committee are as follows:-

Chairman	Dr Tong Keng Tatt	- Independent Non-Executive Director
Members	Dato' Haji Abdul Raman bin Suliman	- Independent Non-Executive Director
	Dr Ngui Chon Hee	- Non-Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of executive Directors in all forms, drawing from outside advice as necessary. Nevertheless, the determination of remuneration packages of executive Directors is a matter for the Board as a whole and individual executive Directors are required to abstain from discussion of their own remuneration.

The Remuneration Committee shall also recommend to the Board the remuneration of non-executive Directors. The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole.

For the financial year ended 31 December 2003, the aggregate of remuneration received by the Directors of the Company from the Company and its subsidiaries categorised into appropriate components were as follows:-

	<b><i>Salaries RM'000</i></b>	<b><i>Fees RM'000</i></b>	<b><i>Benefits- in-kind RM'000</i></b>	<b><i>Others RM'000</i></b>	<b><i>Total RM'000</i></b>
Executive Directors	198	–	17	14	229
Non-Executive Directors	–	30	–	147	177

The number of Directors of the Company whose remuneration during the year falls within the respective bands are as follows:-

<b>Range of Remuneration</b>	<b><i>Number of Directors</i></b>	
	<b><i>Executive</i></b>	<b><i>Non-Executive</i></b>
Below RM50,000	–	3
RM50,001 to RM100,000	1	2
RM100,001 to RM150,000	1	–

### **3. Relationship with Shareholders and Investors**

In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders with a regular overview of the Group's performance and operations.

Shareholders and members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing Bursa Malaysia's website.

Notice of the Annual General Meeting and the Annual Report are sent to all shareholders. At Annual General Meetings, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session.

### **4. Accountability and Audit**

#### **4.1 Financial Reporting**

In presenting the annual and quarterly reports, the Directors aim to present a balanced and comprehensive assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 62 of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27(a) of Bursa Malaysia Listing Requirements is set out on page 12 of the Annual Report.

#### **4.2 Internal Control**

The Directors acknowledge their responsibilities for the internal control system in the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Group's assets.

#### **4.3 Relationship with the Auditors**

The Company's external auditors, Messrs KPMG have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The role of the Audit Committee in relation to the external auditors is set out in the Report of the Audit Committee on pages 16 and 17 of the Annual Report.

## **DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS**

The Directors are required by company law 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 as at the end of the financial year and of the results and cash flows of the Company and of the Group for that period.

The Directors ensure that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements.

The Directors also ensure that applicable approved accounting standards in Malaysia have been followed.

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.

## STATEMENT ON INTERNAL CONTROL

The Board of Directors (“Board”) is responsible for the Group’s system of internal control and for reviewing its adequacy and integrity. The system includes financial, operational and compliance controls and risk management. The system is designed to identify and manage risks in the pursuit of the Group’s business objectives as well as to safeguard shareholders’ investments and the Group’s assets. The system serves to provide reasonable but not absolute assurance against the risk of material loss. The concept of reasonable assurance recognises that the cost of control procedures is not to exceed the expected benefits.

The Group has in place an enterprise-wide risk management (ERM) framework and process which was implemented in the previous financial year. Within the ERM framework, operating companies have Risk Committees whose members represent key areas in operations. These committees are guided by documented terms of reference and meetings are held regularly to deliberate on risk and control issues. Risks and control measures are documented and compiled to represent the risk profile of the operating company. Key risks of operating companies are consolidated to form the risk profile of the Group. Risks and control measures are periodically communicated to the relevant personnel within the Group and to the Audit Committee. Risk profiles are reviewed and updated on a periodic basis.

During the financial year under review, the Group has continued with its ERM efforts. The risk profile of the Group was reviewed and updated to reflect current conditions. The updated risk profile was documented and presented to the Audit Committee for their review and acceptance.

Hence, in accordance with the *Statement on Internal Control: Guidance for Directors of PLCs*, the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and this process has operated during the financial year under review and up to the date of approval of the annual report.

The salient features of the Group’s internal control system include:-

- a management structure with clearly defined lines of responsibility and authority limits
- written company values, code of conduct, policies and procedures
- monthly reporting of actual results which are reviewed against budget, with major variances being followed up and management action taken, where necessary
- an internal audit function that provides independent assurance on the effectiveness of the Group’s system of internal control and advice on areas which require further improvement

The Board, with the assistance of the internal audit team and external professional consultants (whenever deemed necessary), continuously reviews the adequacy and integrity of the Group’s system of internal control and management information systems, and compliance with laws, regulations, rules, directives and guidelines. Internal audit reports are tabled at Audit Committee meetings which are held at least once in every quarter. Control deficiencies and issues highlighted are addressed or rectified by management. There were no control deficiencies noted during the financial year under review which has a material impact on the Group’s financial performance or operations.

The Group’s system of internal control mainly applies to its operating companies and does not cover associated companies, inactive companies and dormant companies.

The Board is of the view that the monitoring arrangements in place provide reasonable assurance that the structure of controls and operations is adequate and appropriate to the Company’s and Group’s situation.

This statement was made in accordance with a resolution of the Board.

## OTHER INFORMATION

### 1. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2003 or entered into since the end of the previous financial year except as disclosed in the financial statements.

### 2. SANCTIONS AND/OR PENALTIES IMPOSED

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

### 3. NON-AUDIT FEES

During the financial year ended 31 December 2003, non-audit fees paid to the external auditors by the Company and its subsidiaries amounted to RM34,000 (2002 : RM89,000).

### 4. REVALUATION POLICY

The Group has not adopted a policy of regular revaluation on landed properties.

### 5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The aggregate value of recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2003 by Pan Malaysia Corporation Berhad ("PMC") and its subsidiaries ("PMC Group") in accordance with the shareholders' mandate were as follows:-

Name of company within the PMC Group involved	Related Party	Nature of Transaction	Aggregate value of transactions RM'000
PMC Group	MUI Plaza Sdn Bhd, a wholly-owned subsidiary of MUI Properties Berhad ("MUIP") <sup>*1</sup>	Rental of office and car parking spaces at MUI Plaza, Jalan P. Ramlee, 50250 Kuala Lumpur and procurement of ancillary services such as refuse and office maintainance services.	121
PMC Group	Malayan United Management Sdn Bhd, a wholly-owned subsidiary of Malayan United Industries Berhad ("MUIB") <sup>*2</sup>	Rental of office equipment	136
Pan Malaysia Management Sdn Bhd	Malayan United Security Services Sdn Bhd, a wholly-owned subsidiary of MUIB <sup>*2</sup>	Receipt of security services	23

<b>Name of company within the PMC Group involved</b>	<b>Related Party</b>	<b>Nature of Transaction</b>	<b>Aggregate value of transactions RM'000</b>
Network Foods International Ltd and its subsidiaries	GCIH Trademarks Limited*, a subsidiary of Pan Malaysia Holdings Berhad ("PM Holdings")* <sup>3</sup>	Royalty payment in respect of trademarks on chocolate products owned by GCIH Trademarks Limited	418
Gelombang Sinar Sdn Bhd	PCB Asset Management Sdn Bhd, a wholly-owned subsidiary of Pan Malaysia Capital Berhad ("PM Capital")* <sup>4</sup>	Receipt of asset management services	5
PMC Group	PM Securities Sdn Bhd, a subsidiary of PM Capital* <sup>4</sup>	Fees payable for corporate advisory and other related services	11
Pan Malaysia Management Sdn Bhd	(i)MUIB* <sup>2</sup> (ii)MUIP* <sup>1</sup> (iii)PM Holdings* <sup>3</sup> (iv)PM Capital* <sup>4</sup>	Provision of share registration and related services	53
Network Foods Industries Sdn Bhd, Network Foods (Malaysia) Sdn Bhd	MUIB Group* <sup>2</sup>	Sale of chocolate and confectionery products and other consumer products	42

Notes:-

As at 31 December 2003

\*<sup>1</sup> MUIP is a 70.75%-owned subsidiary of MUIB.

\*<sup>2</sup> MUIB is a major shareholder of PMC having 56.84% equity interest in PMC.

\*<sup>3</sup> PM Holdings is a 63.52%-owned subsidiary of MUIB.

\*<sup>4</sup> PM Capital is a 73.89%-owned subsidiary of PM Holdings.

# GCIH Trademarks Limited became a subsidiary of PMC on 29 December 2003 (Please refer to Note 27(b) to the financial statements).

# REPORT OF THE AUDIT COMMITTEE

## MEMBERS

### **Name**

Dr Tong Keng Tatt - *Chairman*  
Tan Peng Hock  
Khet Kok Yin

### **Designation**

*Independent Non-Executive Director*  
*Independent Non-Executive Director*  
*Non-Independent Non-Executive Director*

## TERMS OF REFERENCE

### 1. Constitution

The Audit Committee was established on 10 June 1994. The Board shall ensure that the composition of the Audit Committee comply with Bursa Malaysia Listing Requirements as well as other regulatory requirements.

### 2. Authority

- The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- The Audit Committee shall have unlimited access to all information and documents relevant to its activities as well as to the internal and external auditors and senior management of the Group.
- The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### 3. Functions

The functions of the Audit Committee shall be:-

- to review the following and report to the Board of Directors:-
  - (a) the audit plan with the external auditors;
  - (b) the evaluation of the system of internal controls with the external auditors;
  - (c) the audit report with the external auditors;
  - (d) the assistance and co-operation given by the employees of the Company to the external auditors;
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (f) the internal audit programme, processes, the results of the internal audits, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events;
    - (iii) significant adjustments arising from the audit;
    - (iv) the going concern assumption; and
    - (v) compliance with accounting standards and other legal requirements;
  - (h) 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;
  - (i) any letter of resignation from the external auditors;
  - (j) whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- to recommend the nomination of a person or persons as external auditors;
- to consider the external auditors' fee and any questions of dismissal;
- to review the external auditors' management letter and management's response;
- to discuss problems and reservations arising out of external or internal audits and any matters which the auditors may wish to bring up (in the absence of management or the Executive Directors of the Group where necessary);
- to consider the major findings of internal investigations and management's response, together with such other functions as may be agreed to by the Audit Committee and Board of Directors.



#### **4. Meetings**

During the financial year ended 31 December 2003, seven (7) Audit Committee Meetings were held. Each of the Audit Committee members attended all the seven (7) meetings of the Audit Committee.

In addition to the Committee members, the Chief Financial Officer and Head of Internal Audit are invited for attendance at each meeting. The respective head of companies/departments and their management team attend when audit reports on their companies/departments are tabled for discussion. The presence of the external auditors will be requested when required.

Upon the request of the external auditors, the Chairman shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

#### **5. Summary of Activities of the Audit Committee During the Financial Year Ended 31 December 2003**

The Audit Committee reviewed and deliberated fifteen (15) audit reports on assignments conducted by the Internal Audit. The Audit Committee also appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.

In addition, the unaudited quarterly interim financial reports and the audited financial statements of the Company and the Group were reviewed by the Audit Committee together with the Chief Financial Officer and Head of Internal Audit, prior to recommending the same for approval by the Board, upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities had been complied with.

The Audit Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues and reviewed pertinent issues resulting from the audit of the financial statements.

The Audit Committee reviewed and approved the Internal Audit Plan for the calendar year 2004. In its review of the Internal Audit Plan, the Audit Committee reviewed the scope and coverage over the activities of the respective business units of the Group. The Audit Committee also reviewed related party transactions carried out by the Group.

#### **6. Internal Audit Function**

The internal audit function is performed by the Group Internal Audit Department and is independent of the activities audited. The function is performed with impartiality, proficiency and due professional care. The Internal Audit reports to the Audit Committee, and regularly reviews and appraises the Group's key operations. Its activities include:-

- facilitating and assisting in the Group's enterprise-wide risk management (ERM) process to identify risk exposures in key business processes and appropriate controls
- appraising the adequacy and integrity of internal controls and management information systems
- ascertaining the effectiveness of management in identifying principal risks and to manage such risks through appropriate systems of internal control
- ascertaining the level of compliance with the Group's plans, policies, procedures and adherence to laws and regulations
- appraising the effectiveness of administrative controls applied and the reliability and integrity of data that are produced within the Group
- ascertaining the adequacy of controls for safeguarding the Group's assets from losses of all kinds, and
- conducting special reviews or investigations requested by management or by the Audit Committee

The Internal Audit carries out audit assignments based on an audit plan that is reviewed and approved by the Audit Committee. The reports of the audits undertaken were presented to the Audit Committee and forwarded to the management concerned for attention and necessary action.