

Chairman's statement



Results

I am pleased to announce that for the year ended 31st March 2003, the Group produced another good set of results. Profit before tax were up 18 % at RM31.5 million (2002 - RM26.7million) and turnover up 26 %, at RM705.7 million (2002 – RM561.8 million). Post tax profits were 19 % up, at RM21.5 million (2002 - RM18.0 million), largely because of the lower tax rate due to available tax incentives.

Earnings per share therefore were up 19 %, at 35.86 sen (2002 – 30 sen). Operating cash flow of RM58.2 million was satisfactory, at 185 % (2002 – 129 %) of profit before tax, and net funds increased to RM10.41 million (2002 – RM5.4 million).

Dividend

The Board is recommending a final dividend of 12% less tax (2002 – 5% tax exempt and 5% less tax). The proposed dividend increase reflects the Board's confidence in the prospects for the Group.



Certificate of Excellence is awarded to QL Resources Berhad – Ranking 299 in terms of turnover/sales.

Strategy

Growth will continue to be organic and by acquisitions. As we have demonstrated, this year with the successful acquisition of Ladang Ternakan Ayam Soon Sang (Tawau) Sdn Bhd and Nada Eksklusif Sdn Bhd that adds significant value to the Group.

The Group has projects in place that are coming to fruition during the coming financial year and more importantly in 2005 that will contribute to growth. A focus on 'what we can do best' will provide a platform for continued growth in the future.

Staff and Board

During the year, we were recognised as one of the Top KLSE companies under the Agriculture and Fisheries segment to be eligible for the KPMG Shareholder Value Awards 2002. The objective of this award is to recognise on an annual basis, through an evaluation and award process, public listed

"A focus on 'what we can do best' will provide a platform for continued growth in the future."

companies in Malaysia that have produced exemplary value for their shareholders based on a set of measures.

The award and results, of course, reflect the efforts of our directors and staff. On behalf of the board, I express our appreciation to the people of QL Group for the dedication and commitment and I would also thank my colleagues on the board for their guidance during the year.

Governance

We believe the ability and integrity of managers need monitoring and we have for the past years observed the main guidelines in relation to audit, risks and remuneration committees. We also recognised the importance of non-executive directors in the process of monitoring and decision-making.

During the year, we made considerable progress in implementing the required corporate governance rulings. While these rules are important, we believed the best

safeguard for shareholders is to have directors with business experience and knowledge, who are shareholder-orientated and committed.

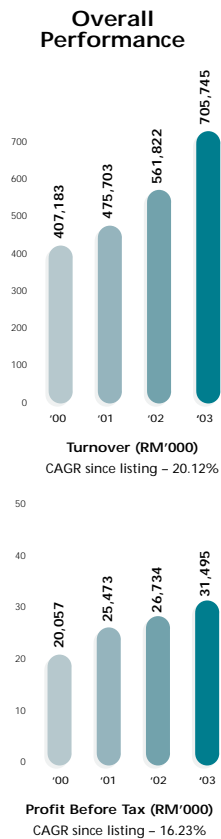
Outlook

The Group has made an encouraging start for the quarter ended 30.6.2003, and in the light of the improving economic conditions, we are confident that the remaining quarter's performance will also be satisfactory.

The management has a wide range of initiatives, both for revenue generation and improvements in efficiency that should continue to strengthen the Group. We have considerable financial strength and an experienced and capable management. These ingredients should enable us to further enhance value for shareholders in the coming years.

Tengku Dato' Zainal Rashid
Bin Tengku Mahmood
Chairman, Independent Non-Executive Director

Managing director's report



The financial year 2003 results demonstrate our Group ability to continue in delivering strong and stable growth in our financial results.

During the year, we improved our performance in many areas, completed a number of acquisitions and projects as well as restructuring some businesses. These actions will put the Group in stronger position.

We will continue to drive operational improvements in all our businesses while having regard to maintaining a strong balance sheet. At the same time, in order to ensure focus and not constrain the development of individual business segments, we will look to streamline our business portfolio. We have therefore further streamline our classification of business segments to closely mirror their

activities. The Business segments are now reclassified as:

1. Marine products manufacturing
2. Crude palm oil milling
3. Trading and distribution
4. Poultry farming

Highlight of our performance to date and reasons for you to be very proud of your connection to the company and confident about your investment.

Our 2003 profits up 19%, turnover up 26% and we strive to make yearly progress hereafter.

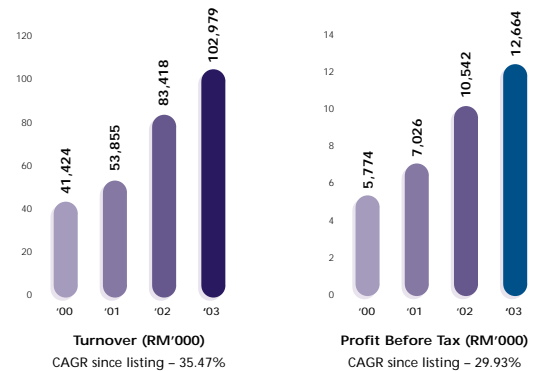
From 2000 (the year QL was listed) to 2003 we achieved satisfactory results, and a rising dividend. In 2003, despite difficult economic conditions, we still achieved a profit growth

“We will continue to drive operational improvements in all our businesses while having regard to maintaining a strong balance sheet.”



SMI Awards 2002.

Marine Products Manufacturing



of 18% against last year and still proposed a 12% final dividend.

We achieved earnings growth in spite difficult business climate.

Each of our business segments have performed credibly since our listing debut on 30th March 2000.

All of them have achieved sustainable positions in their markets.

We have a board of directors who understand that they have a responsibility to grow the business and enhance shareholders' value.

We have a board of directors, the majority of which are full working executive directors.

With increasing rules and regulations, our boards work closely with our senior management and ensure they act responsibly and check up on management regularly. Our board has an informal and short line of communication that cultivates hands-on management approach. The directors know the shareholders count on them to make sure their investment is being well taken care of, and they do that uncompromisingly.

'QL' means 'win-win' or 'mutual benefit' in Chinese language and the fact that our culture, conduct and the beliefs that we share and how we conduct business have a great deal to do with our performance to-date.

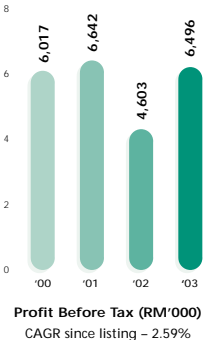
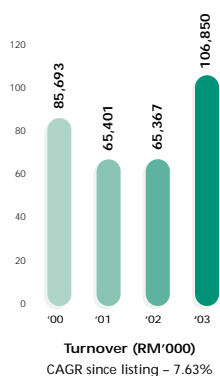
Like most companies, we try to do our best to our customers, business partners, our



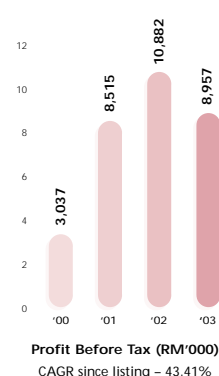
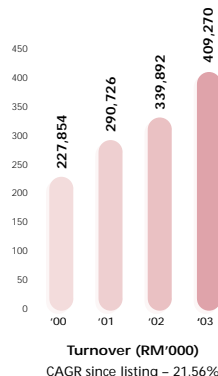
"We have a board of directors who understand that they have a responsibility to grow the business and enhance shareholders' value."



Crude Palm Oil Milling



Trading & Distribution



employees and our shareholders. But we have been practicing 'win-win & mutual benefits' beliefs from the day we first started business and we know what that means. To our shareholders, we strive to maintain a dividend payment policy of not less than 10% and a return on equity rate of about 20%.

2004 and beyond

For this year, we are confident that, except in the most extreme political and economic conditions, we can deliver further earnings growth and also maintain our return on equity. QL was started as a family business dated back to mid 80s; since our debut on the

KLSE in March 2000, we have grown all four core activities organically and by acquisitions.

Looking forward, we feel that it is time to look at our strengths and review:

1. What we can do best.
2. How to effectively generate sustainable cash flow and profitability.
3. What business are we deeply passionate about.

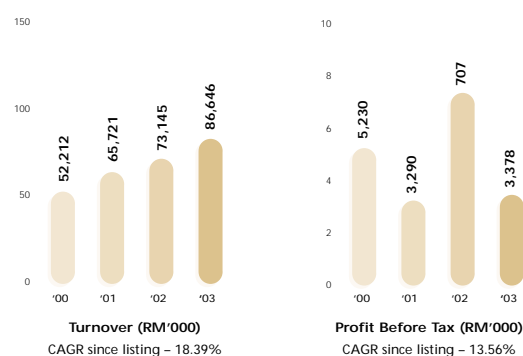
We know that our resource-based business of marine products manufacturing and



crude palm oil milling have world-wide market potential. We have also accumulated adequate technological skills and experience in our resource-base business to compete with the best. Today, we are still the largest manufacturer of fishmeal in Malaysia and we are also the leading producer of surimi and surimi-based products in Malaysia. We are also one of the leading independent crude palm oil millers in East Malaysia. Looking forward therefore these are the two area of business that will receive more emphasis. I am confident that this shift in emphasis, coupled with our strong financial fundamentals, will enable us to continue to meet the challenges of the current year and beyond and also to further provide the platform for continued growth in shareholder value.

Chia Song Kun
Managing Director

Poultry Farming



Audit committee report

Membership

The present members of the Audit Committee comprise:-

Tengku Dato' Zainal Rashid

Bin Tengku Mahmood

Chairman/Independent
Non-Executive Director

Mr. Chia Song Kun

Member/Non- Independent
Executive Director

Encik Mohd Rizal Bin Ramlee

Resigned w.e.f. 28/07/03)
Member/Independent
Non-Executive Director (Resigned)

Mr. Eddy Chieng Ing Huang

Member/Independent
Non-Executive Director

Attendance at meetings

During the year, the Committee held a total of five (5) meetings. Details of attendance of the Committee members are as follows:

<i>Name of member</i>	<i>Number of meetings attended</i>
Tengku Dato' Zainal Rashid	
Bin Tengku Mahmood	5
Mr. Chia Song Kun	5
Encik Mohd Rizal Bin Ramlee	5
Mr. Eddy Chieng Ing Huang	5

The Finance Director, Group Accountant and Internal Audit Manager were present by invitation in all the meetings.

Representatives of the external auditors, Messrs KPMG also attended the meetings upon invitation. The Secretary to the Committee is the Company Secretary.

Summary of activities during the financial year

The Audit Committee carried out its duties in accordance with its terms of reference during the year.

The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' scope of work and audit plans 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, the audit report and the management letter, including management's response.
- Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 16 to the financial statements.
- Reviewed the internal audit department's resources requirements, programme and plan for the financial year under review.
- Reviewed the internal audit reports, which highlighted the risk issues, recommendations and management's response.
- Considered the reappointment of the external auditors for recommendation to the shareholders for their approval.
- Recommended to the Board improvement opportunities in internal control, procedures and risk management.
- Reviewed the annual report and the audited financial statements of the Group prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards approved by the MASB.
- Reviewed the Group's compliance in particular the quarterly and year end financial statements with the Listing Requirements of the KLSE, MASB and other relevant legal and regulatory requirements.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Group Accountant and Finance Director.
- Reviewed the related party transactions entered into by the Group.
- Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance

Statement and Statement on Internal Control pursuant to the KLSE Listing Requirements. Recommended to the Board action plans to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Code.

Internal audit function

The internal audit department is independent of the activities or operations of other operating units. The internal audit department is overall responsible in providing assurance to the Audit Committee and the Board on the adequacy and effectiveness of the internal control systems and risk management in the Company. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

The internal audit department undertakes internal audit functions upon its establishment in the current financial year based on the audit plan that is reviewed and approved by the Audit Committee. The audit plan is developed based on a risk assessment model and covers the review of adequacy of operational controls, compliance with rules and regulations, risk management and management efficiency amongst others.

TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:

1. Memberships

The Committee shall be appointed by the Board of Directors of the Company from amongst the Board and shall consist of not less than three (3) members, majority of which shall comprise of independent directors. At least one member must be a member of the Malaysian Institute of Accountants or eligible for membership.

In the event of any vacancy in an audit committee resulting in the non compliance with the above, the Board shall, within 3 months of that event, fill the vacancy.

The members of the Committee shall elect a chairman from among their members who shall be an independent director.

The terms of office and performance of an audit committee and each of its members should be reviewed by the Board at least once every three years.

2. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have resources which are required to perform its duties. 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 Committee. It shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Functions of the Committee:

- (a) To oversee all matters relating to external audit including the review with the external auditor the audit plan, their audit report and their evaluation of the system of internal controls;
- (b) To review and report on the assistance given by the employees of the company to the external auditor;
- (c) To review and report 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;
- (d) To review and report the internal audit programme, processes, the

results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

- (e) To review and report the quarterly 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; and
 - (iii) compliance with accounting standards and other legal requirements'
- (f) To review and highlight any related party transaction and conflict of interest situation that may arise within the company or group;
- (g) To recommend the appointment of external auditors, audit fee and any question of resignation or dismissal;
- (h) Undertake such other responsibilities as may be agreed to by the committee and the Board; and
- (i) To report its findings to the Board and if necessary to the Exchange.

4. Attendance at Meetings

The company must ensure that other directors and employees attending any particular audit committee meeting only at the audit committee's invitation, specific to the relevant meeting. However, at least once a year the Committee shall meet with external auditors.

The company secretary shall be the secretary of the committee.

5. Procedure of the committee:

- (a) The internal and external auditors and members of the committee may call for the audit committee meeting which they deem necessary.
- (b) The notice of such meetings shall be given at least 7 days before the meetings.

(c) The voting and proceedings of such meetings shall be on show of hands. The Chairman shall have a casting vote.

(d) The minutes shall be kept by the secretarial department and shall be available for inspection during working hours at the request of the directors and members.

(e) The committee shall cause minutes to be duly entered in books provided for the following purpose:-

- (i) of all appointments of members;
- (ii) of the names of members and invitees such as others director, and employees present at all meetings of the committee;
- (iii) of all actions, resolutions and proceedings at all meetings of committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting in which case the minutes shall be confirmed as correct by a member or members present at the succeeding meeting who was or were also present at the preceding meeting. Such minutes shall be conclusive evidence without further proof of the facts thereon stated; and
- (iv) of all other orders made by the members of the committee.

6. Quorum

A majority of members present must be independent directors and shall form the quorum of the committee.

7. Frequency of Meetings

Meetings shall be held at least every quarter in a calendar year. The external auditor may request a meeting if they consider one necessary.

Corporate governance statement

The Board of Directors of QL Resources Berhad recognises the importance of adopting high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is therefore 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 the Malaysian Code of Corporate Governance.

- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks.
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.
- Maintaining shareholder and investor relations for the Company.
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

(b) Board Meetings

A. BOARD OF DIRECTORS

(a) Board responsibilities

The Company is led by an experience and dynamic Board. It has a balanced board composition with effective independent directors. The Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders value. To fulfill this role, the Board is responsible for the following:-

- Reviewing and adopting a strategic plan for the Company.
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed.

During the financial year ended 31 March 2003, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions and the business plan and direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

Details of each existing Director's meeting attendances are as follows:

<i>Name of Director</i>	<i>Designation</i>	<i>Attendance</i>
Tengku Dato' Zainal Rashid		
Bin Tengku Mahmood	Independent Non-Executive Chairman	5/5
Chia Song Kun	Managing Director	5/5
Chia Seong Pow	Executive Director	5/5
Chia Seong Fatt	Executive Director	5/5
Chia Song Swa	Executive Director	5/5
Chia Song Kooi	Executive Director	5/5
Chia Mak Hooi	Executive Director	5/5
Chieng Ing Huong, Eddy	Independent Non-Executive	5/5
Mohd Rizal Bin Ramlee	Independent Non-Executive	5/5

(c) Board balance

As at the date of this statement, the Board consists of nine members; comprising one independent non-executive Chairman, six executive Directors and two independent non-executive Directors. A brief profile of each Director is presented on pages 6 to 9 of this annual report. The Directors have wide ranging experience and all have occupied or currently occupying senior positions both in the public and private sectors. The Board has appointed Mr Chieng Ing Huong, Eddy as the senior independent non-executive Director to whom concerns may be conveyed.

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. The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive Director) and who is 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 executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-coordinating the development and implementation of business and corporate strategies. The 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 Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the 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 Tengku Dato' Zainal Rashid Bin Tengku Mahmood as the independent non-executive Chairman and the executive management of the company is led by Mr Chia Song Kun, the Group Managing Director.

(d) Supply of Information

Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are provided to the Directors in a timely manner so that, if necessary, clarification or additional information can be sought.

The Board has access to all information in relation to the Group whether as a full Board or in their individual capacity to assist them in the furtherance of their duties. Besides direct access to management staff, the company secretary is also made available to render their independent views and advice to the Board. In addition, the Directors, if necessary, may also seek professional advice, at the Company's expenses, if required. The Directors may also consult the Chairman and other Board members prior to seeking any independent professional advice.

(e) Appointments to the Board

The Board of Directors delegates certain responsibilities to the Board Committees, namely an Audit Committee, a Nomination Committee and a Remuneration Committee in order to enhance business and operational efficiency as well as efficacy. The Nomination and Remuneration Committee were established on 18 February 2002 to assist the Board in the execution of its duties. Prior to the establishment of these committees, their functions were assumed by the Board as a whole.

The Audit Committee of the Board has been in place since January 1999. It presently comprises three Independent Non-Executive Directors and the Managing Director.

The Nomination Committee comprised the following members during the year:

Tengku Dato' Zainal Rashid
Bin Tengku Mahmood
- Chairman, Independent
Non-Executive Director

Mr Chieng Ing Huong, Eddy
- Independent Non-Executive Director

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

The Nomination Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors and review the contribution of each individual Director on an annual basis. The Committee also keeps under review the Board structure, size and composition as well as considering the Board succession planning.

The Nomination Committee, on 27 May 2003 has reviewed the annual assessment of the Directors' performance as a whole and individually and will recommend to the Board its findings for further action.

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). In line with Practice Note No.15, the Directors will undergo Continuing Education Programme (CEP) and other relevant training programmes to further enhance their skills and knowledge where relevant.

(f) Re-election

The Articles of Association of the Company provide that one third of the

Board members are required to retire at every Annual General Meeting and be subject to re-election by shareholders. Newly appointed directors shall hold office until the next annual general meeting and shall be subject to re-election by the shareholders. The Articles of Association provided that all Directors shall retire once every three years.

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

B. DIRECTORS' REMUNERATION

(a) Remuneration Committee

The members of the Remuneration Committee during the year were:

Tengku Dato' Zainal Rashid Bin Tengku Mahmood
- Chairman, Independent Non-Executive Director

Mr Chieng Ing Huong, Eddy
- Independent Non-Executive Director

Mr Chia Song Kun
- Managing Director

The Remuneration Committee is responsible for recommending the remuneration framework for Directors' as well as the remuneration packages of executive Directors to the Board. None of the executive Directors participated in any way in determining their individual remuneration. On 27 May 2003, the Remuneration Committee has recommended an increase in the Directors fees and this will be reviewed by the Board at the forthcoming meeting. Upon review, the Board will then seek the shareholders approval on the increase of Directors fees for the financial year 31 March 2004 at the forthcoming AGM.

The Board as a whole determines the remuneration of non-executive Directors with individual Directors abstaining from

decisions in respect of their individual remuneration.

(b) Details of the Directors' remuneration

The aggregate remuneration of director of the Company are as follows:

<i>Subject Directors Aggregate Remuneration</i>	<i>Executive Directors RM</i>	<i>Non-Executive RM</i>
• Directors' fees	337,400	90,000
• Salaries	1,055,662	-
• Allowance	41,800	-
• Bonuses	904,521	-
• Benefits in kind based on an estimated money value	47,050	-
Total	2,386,433	90,000

<i>Band (RM)</i>	<i>No. of Directors</i>	<i>No. of Directors</i>
Below 50,000		3
50,001 – 100,000		
100,001 – 150,000	1	
150,000 – 200,000		
200,001 – 250,000		
250,001 – 300,000	1	
300,001 – 350,000	1	
350,001 – 400,000	1	
400,001 – 450,000		
450,001 – 500,000		
500,001 – 550,000	1	
550,001 – 600,000		
600,001 – 650,000		
650,001 – 700,000		
700,001 – 750,000		
750,001 – 800,000	1	

C. SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting, analyst meetings and announcements via KLSE. The Company is currently setting up a website to enable an active dialogue

with its investors and shareholders with the intention of giving investors and shareholders as clear and complete a picture of the Company's performance and position as possible.

Additionally, a press conference is held immediately after the AGM where the Managing Director advises the press of the resolutions passed, and answers questions on the Group. The Chairman and the Executive Director are also present at the press conference to clarify and explain any issue.

The Company also responded to fund managers, institutional investors and investment analysts and members of the media upon request, to brief them on key events of the Company. Investors' and analysts' feedback is sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.

D. ACCOUNTABILITY AND AUDIT

(a) Financial reporting

The Board aims to present a balanced and understandable assessment of the Company's and the Group's position and prospects in the various financial reports to the shareholders, investors and regulatory authorities. The assessment is primarily provided in the annual report through the Chairman's Statement, Managing Director's Report, the audited financial statements and the quarterly results announcement.

The Board has re-classified its segmental reporting to 4 core businesses; marine-products manufacturing, oil palm milling, poultry farming and trading & distribution activities, to promote greater transparency and understanding of the Company's performance and prospect. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

The Directors are also required by the Companies Act 1965 to prepare financial statements for each financial

year which have been made out in accordance with applicable approved accounting standards and 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 their profit or loss and cashflows for the period then ended.

Directors' responsibility statement in respect of the preparation of the audited financial statements is set out on page 24 of this annual report.

(b) Internal controls

The Statement on Internal Control furnished on pages 25 to 26 of the annual report provides an overview of the state of internal controls within the Group.

(c) Relationship with the Auditors

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's operation the external auditors have highlighted to the Audit Committee and the Board, matters that requires the Board's attention.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 16 to 18 of the annual report.

E. OTHER INFORMATION

(a) Recurrent Related Party Transactions (RRPT) of revenue nature

The shareholders of the Company approved the Proposed Renewal and Additional Shareholders' Mandate for RRPT of revenue nature during its Extraordinary General Meeting (EGM) held on 24 August 2002.

The Company is also seeking shareholders approval to renew and additional shareholders' Mandate for

RRPT in the forthcoming EGM. The details of the RRPT entered into or to be entered by the Company or its subsidiaries with related parties are included in the Circular to Shareholders.

(b) Non-audit fee

The amount of non-audit fees charged for the financial year ended 31 March 2003 is RM185,000.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Kuala Lumpur Stock Exchange Listing Requirements, the following additional information is provided:-

During the financial year under review, there were no:

- i) utilisation of proceeds raised from any proposal;
- ii) share buybacks;
- iii) options, warrants or convertible securities exercised;
- iv) American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) programme sponsored by the Company;
- v) sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies;
- vi) material variance between the results for the financial year and the unaudited results previously announced;
- vii) profit guarantees given by the Company;
- viii) material contracts between the Company and its subsidiaries that involve directors' or major shareholders interests, except as those disclose on RRPT transactions;
- ix) contract of loans between the Company and its subsidiaries that involve directors' or major shareholders' interests;
- x) revaluation policy on landed properties.

Statement of directors' responsibilities

in respect of the audited financial statements

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 Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In preparing those financial statements, the Directors have:

- adopted suitable accounting policies and then apply them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Directors' shareholdings

Name of directors	Direct #	No. of shares held		%
		%	Indirect #	
Tengku Dato' Zainal Rashid				
Bin Tengku Mahmood	75,000	0.13	-	-
Chia Song Kun	15,000	0.02	28,637,354 *	47.73
Chia Seong Pow	15,000	0.02	9,456,135 #	15.76
Chia Song Kooi	15,000	0.02	28,493,354 **	47.49
Chia Seong Fatt	15,000	0.02	9,456,135 #	15.76
Chia Song Swa	15,000	0.02	28,484,354 **	47.47
Chia Mak Hooi	15,000	0.02	28,545,854 @	47.58
Chieng Ing Huong	-	-	-	-
Mohd Rizal Bin Ramlee	913	-	-	-

Notes:

* Deemed interest via his and his wife's interest CBG Holdings Sdn. Bhd., his wife's and children's shares.

** Deemed interest via CBG Holdings Sdn. Bhd. and his wife's shares.

Deemed interest via Farsathy Holdings Sdn. Bhd.

@ Deemed interest via his and his father's interest in CBG Holdings Sdn. Bhd. and his father's shares.

Statement on internal control

Introduction

Paragraph 15.27(b) of the Kuala Lumpur Stock Exchange 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 maintaining 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 year.

Board responsibility

The Board 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 inherent in any system of internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's 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, organisational, operational and compliance controls.

The Board has set in place the mechanism to assist the Audit Committee and the Board in the ongoing process for identifying, evaluating and managing significant risks faced by the Group, and that this process is regularly reviewed by the Board and accords with the Internal Control Guidance.

Enterprise risk management framework

The formalisation of the enterprise risk management framework involved the following initiatives which were taken on major business units during the year:

- A Group Risk Management Committee, headed by the Managing Director, has been established with the responsibility to identify and communicate to the Board of Directors the critical risks (present and potential) the Group faces, their changes, and the management action plans to manage the risks.
- The issuance of a Risk Management Manual 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 risks and controls has been created, and the information filtered to produce a detailed risk register, and individual risk profiles for the remaining business units. Key risks to each business unit's objectives aligned with the Group's strategic objectives, are identified and scored for likelihood of the risks occurring and the magnitude of impact.
- Key management nominated in each business unit have prepared action plans, with implementation time scales to address any risk and control issues.
- Individual risk profile of the Companies was developed, which together with a summary of the key findings, was discussed in the Group Risk Management Committee meetings before being submitted to the Board for consideration.
- Submission of quarterly risk management reports by the Heads of the Business Unit for reporting to the Group Risk Management Committee.

Internal Audit Functions

The Group has an Internal Audit Department which is independent of the activities or operations of other operating units in the Group. It provides the Audit Committee and the Board with the assurance it requires on the adequacy and integrity of the systems on internal control.

The Internal Audit Department independently reviews the risk identification procedures and control processes implemented by the management, and reports to the Audit Committee on a quarterly basis. The Internal Audit Department also carried out internal control review on the key activities of the Group's businesses on the basis of a two year internal audit plan that was presented and approved by the Audit Committee. 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.

The Audit Committee reviews the risk monitoring and compliance procedures, ensuring that an appropriate mixed of techniques is used to obtain the level of assurance required by the Board. The Audit Committee presents its findings to the Board on a quarterly basis or earlier as appropriate.

Other Risk and Control Processes

Apart from risk management and internal audit, the Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. Delegation of authority including financial authorisation limit at various levels of Management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.

The Group has in placed a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a timely basis. Performance and results are monitored on a monthly basis against budget and results of corresponding period of prior year, with major variances explained and appropriate action taken or plans put in place.

The Group Managing Director meets with the senior management regularly to discuss and resolve key operational, financial and other key management issues. Significant issues are highlighted and discussed at Board meetings.

An annual budget is prepared, and adopted by the Board, to facilitate monitoring of the Company's financial performance.

The Managing Director also reports to the Board on significant changes in the business and the external environment which affects significant risks. The Board is also given at each meeting, up to date financial information which includes, amongst others, the monitoring of results against budget, with major variances being followed up and management action taken, where necessary.

Weaknesses in internal control that result in Material Losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.