



## RECOGNITION



In its drive to achieve high quality standards and improve journalistic skills in the media industry, the Group led by its Executive Chairman, Tan Sri Datuk Tiong Hiew King have earned numerous awards and accolades from leading institutions and bodies.

Among the many major awards of excellence are:-

1. Asiamoney Award for the Best Newly Listed Company 2004
2. 2004 SMI Phoenix Award
3. Malaysian Press Institute (MPI) Awards
4. Journalism Awards by The Editors' Association (Chinese Medium) Malaysia for the following categories:-
  - (a) Editorial Awards - News category
  - (b) Editorial Awards - Supplements category
  - (c) Feature Award
  - (d) Commentaries Award
  - (e) Photography Award
5. Sarawak Shell Kenyalang Press Awards 2004 for the following categories:-
  - (a) News Reporting Award
  - (b) Sports Reporting Award
  - (c) News Photograph Award
  - (d) Feature Writing Award
6. ICI-CCM Environmental Journalism Awards

## Significant Events

The Company strongly believes that the performance of a company should not just be measured economically but also on its impact on society and the environment, hence its role is not only to enhance shareholders' value but also to benefit its employees, society and the environment.



Social responsibility is part and parcel of the business ethics and culture of the Company. Over the years, the Group has consistently supported various social activities that encompass all levels of society. The Group organizes and supports various projects in its efforts to reach out to the underprivileged, as well as for the overall improvement and development of the community, both nationally and internationally.

Another aspect of SCMC's corporate social responsibility involves the collaboration with other organisations on programmes in the areas of culture, education, social welfare and charity in providing assistance to orphans, the disabled, senior citizens and the underprivileged individuals or families.



Amongst others, some of the events organized include the "Respect for the Elderly" celebration dinner, Newspapers-In-Education campaign, book fairs, National Inter-Universities/Colleges Debate Championship, National Inter-Secondary Schools Debate Championship, Blood Test Health Project, and many more.



For the underprivileged students, Sin Chew's Education Fund in collaboration with some institution of higher learning have contributed more than RM5.5 million towards the well-being of these students in its efforts to nurture a community-minded society and a peace prevailing nation.

Forums and seminars related to economics, culture, literature, education, religion and social care are also organised for the benefit of our readers.



More than 120,000 participants benefited from such forums delivered by well-renowned local and international speakers.





# Calendar of Significant Events

>April - May 2004<

In conjunction with Sin Chew Daily's 75th Anniversary, the concert of Taiwanese artist Tsai Cin and the Shanghai Orchestra Symphony attracted more than 50,000 people, making the event a great success.

Further, the Song and Dance Ensemble from Chang De, China was engaged to perform in 23 towns throughout Peninsular and East Malaysia as part of our efforts to thank our readers for their support throughout the years.



>September 2004<

Launch of prospectus by SCMC on 20 September 2004, en route to its listing on Bursa Malaysia Securities Berhad's Main Board in October 2004. In its listing exercise, SCMC made an offer for sale of 73,623,000 shares with a par value of 50 sen each to the public.



>October 2004<

SCMC was listed on Bursa Malaysia's Main Board on 18 October 2004.



>November 2004<

The International Forum of Chinese Newspapers was organized, and 300 participants, comprising newspapers owners, chief editors, columnist-writers from around the world, gathered to deliberate on key issues pertaining to the development of the profession.

In the 37th Chinese World Chinese Press Convention, Y.A.B. Dato' Seri Abdullah Ahmad Badawi, Prime Minister of Malaysia had a dialogue with the leaders of Chinese newspapers from different parts of the world.



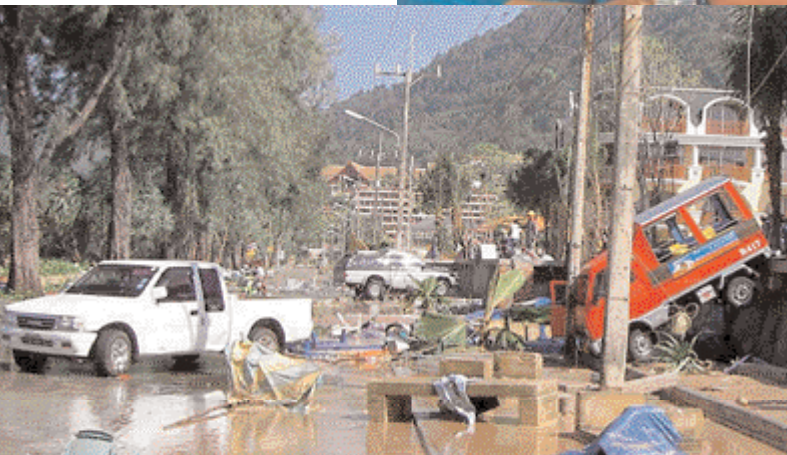
>November 2004<

A roadshow to promote understanding of Islamic law among the Chinese community was held in Malacca, Penang, Kuala Lumpur and Johor Bahru with speakers such as Karim Raslan, Dr Chandra Muzaffar and Zainah Annuar.



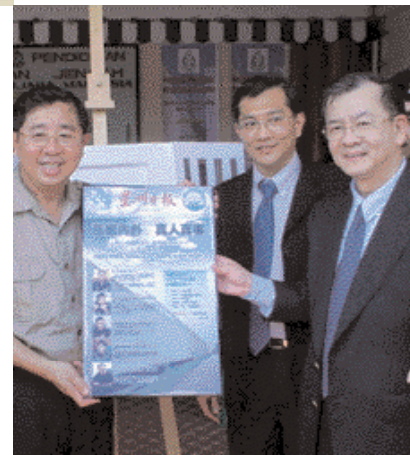
>January 2005<

Sin Chew Daily and the Prison Department jointly launched a write-up series on life in prison titled "Behind Bars", in Batu Gajah, Perak. The launch was officiated by Deputy Minister of Domestic Affairs Y.B. Chia Kwang Chye on 28 January 2005.



>December 2004<

SCMC organized a nationwide charity fund raising project for the 'Tsunami Relief Fund', which collected more than RM15 million over a 2-month period.







>January 2005<

“Lending a Helping Hand to the Education of Cambodia – Sin Chew Charity Jogathon 2005” was flagged off by Deputy Finance Minister, Y.B. Dato’ Ng Yen Yen. The event was well received throughout the country.



>February 2005<

The “Respect for the Elderly” dinner was an annual event organized by SCMC throughout the country to ensure continuity of the value of filial piety in the society.



>March 2005<

“Guang Ming Hero Award” organised by Guang Ming Daily, acknowledges the efforts of deserving winners who, against all odds and obstacles, have courageously and selflessly contributed to the society.



>June 2005<

The 30-Hour Famine Camp’ held on 4 & 5 June 2005, was officiated by the Minister of Sports & Youth, Y.B. Datuk Azalina Binti Othman Said. The event voiced the support for “Help to the Poor and the Needy irrespective of race”, and the fund raised is channeled to World Vision for allocation to the underprivileged.



>June 2005<

SCMC launched “Sin Chew Da Ai Award” (The Borderless Love Award) on 13 June 2005 to pay tribute to the ones who have devoted themselves selflessly to others by helping them through difficulties and seeing to their overall well-being.



# STATEMENT ON CORPORATE GOVERNANCE

## INTRODUCTION

The Board totally supports a corporate culture that is premised upon and emphasizes upholding and maintaining the highest standards of corporate governance. The Board believes that good corporate governance standards will play a role in ensuring the success and strong growth of the Group. Hence it will continue to play an active role in improving governance practices to ensure that the best interest of its shareholders and other stakeholders are served.

With reference to the Principles and Best Practices established by the Malaysian Code on Corporate Governance (the Code), the Board is pleased to present the following statement which sets out the manner in which the Company has applied the principles and best practices of the Code.

## THE BOARD OF DIRECTORS

### a. The Board

The Board comprising of members with a wide range of business, financial, technical and public service background is primarily responsible for the overall performance of the Company and the Group. A brief background on the Board can be found on pages 8 to 11.

The Board's principal focus is the overall strategic direction, development and control of the Group. To achieve this, the Board approves the Group's strategic plan and its annual budget and throughout the year, reviews the performance of the operating subsidiaries against their budgets and targets.

The Executive Directors take on the primary responsibility for managing the Group's business and resources. They are responsible for the implementation of broad policies approved by the Board and they will brief the Board on all material matters currently affecting the Group and its performance.

The Independent Non-Executive Directors are actively involved in various Board committees and contribute towards monitoring and the enhancement of corporate governance and controls. They provide unbiased and independent views in ensuring that the strategies proposed by the management are fully deliberated and examined, in the interest of shareholders, employees and customers.

The Board has identified Datuk Leong Sonny @ Leong Khee Seong as the Senior Independent Non-Executive Deputy Chairman to whom concerns may be conveyed. At all times, shareholders may contact the Company Secretary for information pertaining to the Company.

### b. Board Balance

The Board comprises of 5 executive directors and 5 non-executive directors, 4 of whom are independent non-executive directors. The Board composition complies with the Listing Requirements of Bursa Malaysia, which requires a minimum of 2 or 1/3 of the Board to be independent directors.

There were 4 Board meetings held during the financial year ended 31 March 2005. The attendance record of each director is found on page 112.

### c. Supply of Information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to the Board meetings to enable the Directors to obtain further information and explanation, where necessary, before the meetings.

The reports provide amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and of the Group and management proposals that require the Board's approval.

Detailed periodic briefings on industry outlook, market trends, company performance, market share, market responses are also conducted to ensure that the Board is well informed of the latest market and industry trend and development.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### THE BOARD OF DIRECTORS (Cont'd)

#### c. Supply of Information (Cont'd)

All directors have access to the advice and services of the Company Secretaries and where necessary, take independent professional advice.

#### d. Appointments to the Board

Appointments are based on the recommendation of the Nomination Committee which employs a definitive set of selection criteria encompassing the minimum qualifications specified by the regulatory authorities and the required skills as dictated by the business environment and the direction of the Group. Any new nomination received is put to the full Board for assessment and endorsement.

#### e. Re-election

All directors are required to submit themselves for re-election every three years. The re-election of Directors ensures that the shareholders have a regular opportunity to reassess the composition of the Board.

### DIRECTORS REMUNERATION

#### a. Level and Make-up of Remuneration

The remuneration of the Executive and Non-Executive Directors are based on the recommendation of the Remuneration Committee. The remuneration scheme for the Executive Director is linked to performance, service seniority, experience and scope of responsibility. For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

#### b. Procedure

The fees of the directors, including the Non-Executive Directors based on the recommendation of the Remuneration Committee is approved by the Board for approval by the shareholders of the Company at its Annual General Meeting.

#### c. Disclosure

The aggregate remuneration of directors for the financial year ended 30 March 2005 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	—	1,426,111	1,426,111
Non-Executive Directors	96,250	—	96,250

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

Range of Remuneration	Executive	Non-Executive
Below RM100,000	—	5
RM100,001 to RM200,000	2	—
RM200,001 to RM300,000	—	—
RM300,001 to RM400,000	2	—
RM400,001 to RM500,000	1	—

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### DIRECTOR'S TRAINING

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn Bhd (formerly known as Bursa Malaysia Training Sdn Bhd).

The Directors will continue to undergo other relevant training programmes and seminars to further enhance their skills and knowledge and to keep abreast with new regulatory development, Listing Requirements and developments in the market place to ensure that they are able to contribute positively to the Group.

### SHAREHOLDERS

#### a. Communications between the Company and Investors

The Board recognises the need to have an effective and open channel of communications with the Company's institutional investors and its other shareholders for the purpose of providing a clear and complete picture of the Group's performance.

The Company achieves these objectives via meeting with analysts and institutional fund managers or disseminating information through its circulars to shareholders, quarterly financial reports and the various announcements made during the year.

#### b. Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek and clarify any issues with the Board at the Question & Answer session. The Company will convene its 22nd AGM on 22 September 2005.

### ACCOUNTABILITY AND AUDIT

#### a. Financial Reporting

The Board aims to present a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects primarily through the timely release of quarterly announcements and annual financial statements to its shareholders as well as the Chairman's statement and operations review in the annual report. The Board is assisted by the Audit Committee in ensuring the accuracy and adequacy of information, to oversee the financial reporting processes and the quality of financial reporting of the Group.

#### b. Statement Of Directors' Responsibility In Relation To The Financial Statements

The Board, is required by the Companies Act, 1965, to ensure that the financial statements are drawn up in accordance with the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB) so as to give a true and fair view of the financial state of affairs of the Group as at the end of the accounting period and of their income statement and cash flows for the period then ended.

In preparing the financial statements, the Directors have selected and applied consistent 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 available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

#### c. Internal Control

The Board of Directors has overall responsibility for maintaining a system of internal control and risk management, which provides reasonable assessments of effective and efficient operations as to safeguard shareholders' investment and the Group's assets.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### ACCOUNTABILITY AND AUDIT (Cont'd)

#### c. Internal Control (Cont'd)

The Group has established an internal audit unit since 1992 to assist the Board in ensuring the adequacy and integrity of the system of internal control. Information on the Group's internal control system during the year is presented in the Statement of Internal Control set out in pages 33 and 34 of this Annual Report.

#### d. Relationship With Auditors

The Company has maintained a transparent and appropriate relationship with the auditors through the Audit Committee. The auditors have from time to time highlighted to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee meets the external auditors to discuss their audit plan, scope of audit before the commencement of audit, audit findings and the financial statements.

The role of Audit Committee in relation to both the internal and external auditors is described in the Audit Committee Report set out on pages 35 to 38 of this Annual Report.

### COMPLIANCE STATEMENT

The Group has complied with all best practices set out in the Malaysian Code on Corporate Governance.

### ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, the following is disclosed for shareholders' information:-

#### Utilisation of proceeds

Pursuant to the Company's rights issue of 80,000,000 ordinary shares of RM0.50 each at RM0.535 per share, the status of utilization of proceeds received as at 31 March 2005 is as follows:

	RM'000
Total Proceeds	42,800
Amount utilized for repaying trade creditors	40,000
Listing expenses	2,333
Balance	467

#### Exercise of options, warrants or convertible securities

The Company did not issue any options or warrants or convertible redeemable debt securities during the financial year.

#### Imposition of sanctions/penalties

There were no sanctions or penalties imposed by the relevant regulatory bodies on the Company or its subsidiaries, directors or management during the financial year.

#### Non-audit fees

The amount of non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year amounted to RM159,130.00.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

#### Material Contracts Involving Directors and Major Shareholders

There were no material contracts outside the ordinary course of business, entered by the Company or its subsidiaries involving directors and major shareholders during the financial year ended 31 March 2005 and as at the Annual Report date.

#### Revaluation Policy

The Company's revaluation policy on landed properties is disclosed in Note 2(g) to the Financial Statements.

#### Recurrent Related Party Transactions of a Revenue Nature

Related Parties	Contracting Parties	Nature of Transaction	Transacted Value for the Financial Year Ended 31 March 2005 RM'000	Nature of Relationship
Malaysian Newsprint Industries Sdn Bhd	Sin Chew Media Corporation Berhad	Purchase of newsprint by SCMC	135,770	<p>Tiong Toh Siong Holdings Sdn Bhd ('TTSH') is a major shareholder of SCMC and the 2 following companies who each ('MNI') ('SCMC') are major shareholders of MNI:</p> <p>(a) R. H. Development Corporation Sdn Bhd ('RHDC'); and</p> <p>(b) Rimbunan Hijau Estate Sdn Bhd ('RHE').</p> <p>Tan Sri Datuk Diong Hiew King @ Tiong Hiew King ('TSTHK') is both a major shareholder and director in each of SCMC, RHDC, TTSH and Teck Sing Lik Enterprise Sdn Bhd ('TSL') and a major shareholder of RHE.</p> <p>Dr. Tiong Ik King is both a shareholder and director of SCMC and is both a major shareholder and director of TTSH and RHDC.</p> <p>Gan Chin Kew @ Gan Chin Hor is a director of both SCMC and MNI.</p> <p>TSL is a major shareholder of SCMC, TTSH and RHDC.</p>



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

#### Recurrent Related Party Transactions of a Revenue Nature (Cont'd)

Related Parties	Contracting Parties	Nature of Transaction	Transacted Value for the Financial Year Ended 31 March 2005 RM'000	Nature of Relationship
Rimbunan Hijau Estate Sdn Bhd ("RHE")	SCMC	SCMC's tenancy for land and building on the land known as PN 3694, Lot 50 Seksyen 13, Bandar Petaling Jaya, Daerah Petaling Jaya, hire of plant, machinery, vehicles and chattels excluding stock of newsprint and provision of labour (security guards).	3,600	<p>TTSH is a major shareholder of both SCMC and RHE.</p> <p>TSTHK is both a major shareholder and director in each of SCMC, TTSH and TSL and a major shareholder of RHE.</p> <p>Dr. Tiong Ik King is both a shareholder and director of SCMC and is both a major shareholder and director of TTSH.</p> <p>TSL is a major shareholder of SCMC and TTSH.</p>
Pacific Hijau Sdn Bhd ("PHSB")	SCMC	SCMC's tenancy of various properties from PHSB as landlord.	338	<p>TSTHK is both a major shareholder and director in each of SCMC and PHSB.</p> <p>Dr. Tiong Ik King is a director of SCMC and a shareholder of both SCMC and PHSB.</p>
Pacific Hijau Sdn Bhd	Guang-Ming Ribao Sdn Bhd ("GMRSB")	GMRSB's tenancy of various properties from PHSB as landlord.	18	As above.
Tiong Toh Siong And Sons Sendirian Berhad	Mulu Press Sdn Bhd ("MPSB")	MPSB's tenancy of various properties from Tiong Toh Siong And Sons Sendirian Berhad as landlord.	20	<p>TTSH is a major shareholder of SCMC (the holding company of MPSB) and is the holding company of Tiong Toh Siong And Sons Sendirian Berhad.</p> <p>TSL is a major shareholder of both SCMC and TTSH.</p> <p>TSTHK is both a major shareholder and director in each of SCMC, TTSH and TSL. He is also a director of Tiong Toh Siong And Sons Sendirian Berhad.</p> <p>Dr. Tiong Ik King is a director and shareholder of SCMC and is both a major shareholder and director of TTSH.</p>

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

## Recurrent Related Party Transactions of a Revenue Nature (Cont'd)

Related Parties	Contracting Parties	Nature of Transaction	Transacted Value for the Financial Year Ended 31 March 2005 RM'000	Nature of Relationship
Yazhou Zhoukan Limited ("YZL")	SCMC	SCMC is the representative of YZL in Malaysia to handle all subscription of magazine, Yazhou Zhoukan published by YZL and to provide customer service, call center support, promotion support, administrative support, warehousing and office space for YZL.	68	TSTHK is both a director and major shareholder of SCMC and is a major shareholder of YZL.  Dr. Tiong Ik King is both a Director and shareholder of SCMC and is a major shareholder of YZL.
Yazhou Zhoukan Limited ("YZL")	GMRSB	GMRSB is the distributor of the magazine, Yazhou Zhoukan in Malaysia, which is published by YZL.	70	As above.



## STATEMENT ON INTERNAL CONTROL

### INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Bursa Malaysia Listing Requirements require directors of listed companies to include a statement in annual reports on the state of their Internal Controls. The Bursa Malaysia's statement on Internal Control: Guidance for Directors of Public Listed Companies ('Guidance') provides guidance for compliance with these requirements.

Internal control is broadly defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Compliance with applicable laws, regulations and contracts.

Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the Guidance.

### RESPONSIBILITY

The Board of Directors recognizes the importance of sound controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of the system. Such a system, however, can only be designed to manage rather than eliminate the risk of failure to achieve business objectives. This system, by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

The Board has established an organization structure with clearly defined lines of accountability and delegated authority. It has extended the responsibilities of the Audit Committee to include the work of monitoring all internal controls, on its behalf.

Based on the audit reports and management controls in place, the Audit Committee is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable.

### INTERNAL AUDIT

The Group's Internal Audit function undertakes regular reviews of the Group's operations and their systems of internal control. It provides continuous improvement to the controls and risk management procedures. Internal Audit findings are discussed at management level and actions are agreed in response to the Internal Audit's recommendations. The status of implementation of the agreed actions are followed up by the Internal Audit to ensure that satisfactory control is maintained.

The Audit Committee reviews all internal audit findings and management responses and the effectiveness of the risk management process. Significant risk issues, if any, are referred to the Board for consideration.

The Board reviews the minutes of the Audit Committee meetings.

## STATEMENT ON INTERNAL CONTROL (Cont'd)

### INTERNAL AUDIT (Cont'd)

#### Other Key Elements of Internal Control

The other key elements of the Group's internal control systems are described below:

- Clearly defined lines of authority in the organization structure and delegation of responsibilities, including authorization levels for all aspects of the business.
- Clearly documented internal policies and procedures set out in a series of Standard Operating Manuals which is currently being reviewed for improvement to reflect changes in business structures and processes.
- A detailed budgeting process where operating units prepare budgets for the coming year.
- Monthly reporting of actual results and their review against budget, with major variances being followed up and management action taken, where necessary.
- Regular and comprehensive information provided to management, covering financial performance and key performance indicators.
- Monitoring of performance & operating efficiency at Fortnightly Key Personnel Operational Meetings; Monthly Head of Departmental Meetings, Weekly Business Review Meetings and Weekly Executive Committee (Exco) Meetings to discuss any significant issues.
- Regular Internal Audit visits which provide independent assurance on the effectiveness of the Group's system of internal control and advising management on areas for further improvement.
- Regular visits to operating units by members of the Board and Senior Management.
- Area managers meetings were called several times a year.

The Board believes that the development of the system of internal controls is an ongoing process and has taken steps throughout the year to improve its internal control system and will continue to do so.

### OTHERS

There are no material joint ventures nor are there any associated companies that have not been dealt with as a part of the Group.

### EXTERNAL AUDITOR

In the course of their statutory audit, the Company's external auditors will highlight any material internal control weaknesses which had come to their attention in carrying out their normal audit which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the Audit Committee.

### BOARD'S CONCLUSION

The Board is pleased to disclose that the state of the Group's Internal Control System is sufficiently in line with the Malaysian Code on Corporate Governance and the guidelines issued by Bursa Malaysia Securities Berhad and that there is no material control failure or weaknesses that requires disclosure in the Group's annual report for financial year under review.



# AUDIT COMMITTEE REPORT

The Audit Committee was established on 20 September 2004.

## COMPOSITION

Chairman	:	Datuk Leong Sonny @ Leong Khee Seong	(Independent Non-Executive Director)
Members	:	Wong Lee Yun	(Independent Non-Executive Director)
		Sim Sai Hoon	(Executive Director)

## TERMS OF REFERENCE

### 1. Composition of Audit Committee

The Audit Committee ("the Committee") shall be appointed by the Board of Directors ("the Board") from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Non-Executive Directors.

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Committee shall elect a chairman from among their members who shall be an Independent Non-Executive Director. An alternate Director must not be appointed as a member of the Committee.

### 2. Membership

At least one member of the Committee:-

- Must be a member of the Malaysian Institute of Accountants; or
- If not a member of the Malaysian Institute of Accountants, that member must have at least 3 years' working experience and; must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or must be a member of one of the associations of the accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- Must have a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification in accounting or finance; or
- Must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

### 3. Authority

The Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or otherwise directed by the Board. It shall have:-

- The authority to investigate any matter within its terms of reference;
- The resources which are required to perform its duties;
- Full and unrestricted access to any information pertaining to the Company;
- Direct communication channels with the external auditors and internal auditors;
- The right to obtain independent professional or other advice;
- The rights to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

## AUDIT COMMITTEE REPORT (Cont'd)

### TERMS OF REFERENCE (Cont'd)

#### 3. Authority (Cont'd)

The Committee is also authorized 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 and reasonable for the performance of its duties.

#### 4. Meetings and Minutes

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

In addition to the Committee members, the meetings will normally be attended by the representatives of the departments in the Company and of the external auditors as and when required.

The Committee may invite any person to be in attendance to assist it in its deliberations.

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two.

The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Committee shall be reporting to the full Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board of Directors after considering the recommendation of the Committee.

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

The Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings tabled at Board meetings.

#### 5. Duties

The duties of the Committee should include the following:

- To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements.

## AUDIT COMMITTEE REPORT (Cont'd)

### TERMS OF REFERENCE (Cont'd)

#### 5. Duties (Cont'd)

To discuss problems and reservations arising from the interim and final audits, and any matter the Auditor may wish:

- to discuss (in the absence of management where necessary).
- to review the External Auditor's management letter and management's response.
- to consider any related party transactions that may arise within the Company or Group.
- to consider the major findings of internal investigations and management's response.
- to do the following where an internal audit function exists:
  - Review the adequacy of the scope, functions and resources of the internal audit function, and the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the commendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit functions;
  - Approve any appointment or termination of senior staff members of the internal audit function;
  - Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - To consider other topics as defined by the Board.

Evaluate the Standards of Internal Control and Financial Reporting

- Review the principal risks identified and to assess how they have been identified, evaluated and managed and to design, operate and monitor the system of internal control in managing the risks.
- Hold specific discussions with Senior Management to discuss the overall adequacy of the internal control system.
- Meet with the internal and external auditors concerning any comments they may have with respect to improving the internal control system.
- Consider the nature and disposition of the relevant comments appearing in the reports prepared by the internal auditor and Management letters by the external auditors.

### MEETINGS AND ATTENDANCE

For the 6-month period since the establishment of the Committee on 20th September 2004 to the financial year end on 31st March 2005, a total of 4 Audit Committee meetings were held, details of which are as follows:-

No.	Name	Total Meetings	Percentage of Attendance
1.	Datuk Leong Sonny @ Leong Khee Seong	4/4	100%
2.	Wong Lee Yun	4/4	100%
3.	Sim Sai Hoon	4/4	100%

The head of finance and internal audit divisions, other senior management personnel as well as the representatives of the external auditors were also invited to attend the meetings.



## AUDIT COMMITTEE REPORT (Cont'd)

### SUMMARY OF ACTIVITIES

The Audit Committee discharged its duties in accordance with its terms of reference. Activities undertaken by the Audit Committee during the financial year ended 31 March 2005 were set as below:-

- reviewed the quarterly unaudited financial results;
- reviewed the annual financial statements in accordance with the applicable accounting standards approved by Malaysian Accounting Standards Board ("MASB") and other legal and regulatory requirements;
- reviewed and deliberated the internal audit reports and management response thereto;
- reviewed measures taken by management to rectify and improve the internal control system;
- discussed with the internal auditor on their scope of work, adequacy of resources and co-ordination with the external auditors;
- reviewed and discussed with the external auditors, the external auditors' scope of work and audit plan for the year as well as the audit procedures to be utilised;
- reviewed the external audited reports for the Company and the Group;
- reviewed the proposed audit fees for the external auditors for the financial year ended 31 March 2005;
- considered the reappointment of the external auditors for recommendation to the shareholders for their approval;
- reviewed related party transactions of the Company and of the Group;
- review the Audit Committee Report and Statement of Internal Control for inclusion in the financial year 2005 Annual Report.

### INTERNAL AUDIT FUNCTION

The Group has an established Internal Audit Unit to assist the Audit Committee in discharging its duties and responsibilities.

The Internal Audit Unit reports to the Committee and is independent of the activities they audit. The Internal Audit Unit had undertaken regular and systematic review of the system of internal controls that included governance, risk management and information system of major areas within the Group operations as to provide sufficient assurance that established policies and procedures are adhered to and continue to be effective and satisfactory.

Internal audit reports, incorporating audit recommendations are issued to the Audit Committee and the management for review and comments. Follow-up audit are then carried out to determine whether the agreed audit recommendations have been implemented.

The Internal Audit Unit has an ongoing process to help the Board in identifying, evaluating and managing risks.

A summary of activities carried out by the Internal Audit Unit during the financial year ended 31 March 2005 were as follows:

- (a) Planned group annual audit for approval by the Audit Committee;
- (b) Audited various functional activities and areas as per approved audit plan, provided feedback and made the necessary recommendations to the Committee and management;
- (c) Attended Committee meetings to present, discuss as well as take instructions on matters that fall under the internal audit function;
- (d) Observed annual stock-take of finished goods, raw materials and consumables to ensure that it had been conducted in accordance with acceptable approved procedures;
- (e) Attended relevant courses, seminars and conferences to keep abreast with current developments to improve professional skills in internal auditing.