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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth Annual General Meeting (“34th AGM”) of the shareholders of the Company will be held at The Pan Pacific Hotel Kuala Lumpur, Bunga Kenanga Room, Level 3, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Tuesday, 30 September, 2003 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions:-

AGENDA

1. To receive and adopt the Directors’ Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 March, 2003 and the Auditors’ Report thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors’ fees in respect of the financial year ended 31 March, 2003. **Ordinary Resolution 2**
3. To re-elect the following Directors retiring in accordance with Article 83 of the Company’s Articles of Association:
(a) Tan Sri Dato’ Tan Hua Choon; and **Ordinary Resolution 3(a)**
(b) Mr Thor Poh Seng **Ordinary Resolution 3(b)**
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**
5. To transact any other ordinary business of the Company for which due notice has been given. **Ordinary Resolution 5**

By Order of the Board

Lim Lai Sam
Secretary

Kuala Lumpur
5 September, 2003

NOTES:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company. Where a member appoints more than one (1) proxy (but not more than two), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation’s common seal or under the hand of an officer or attorney duly authorised.
3. The Proxy Form shall be deposited with the Company’s Share Registrars, PFA Registration Services Sdn Bhd, Level 13, Uptown 1, No. 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Statement Accompanying Notice of Annual General Meeting

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

PLACE, DATE AND TIME OF THE 34TH AGM

The 34th AGM of the shareholders of the Company will be held at The Pan Pacific Hotel Kuala Lumpur, Bunga Kenanga Room, Level 3, Jalan Putra, 50350 Kuala Lumpur, Malaysia on Tuesday, 30 September, 2003 at 11.00 a.m.

DIRECTORS STANDING FOR RE-ELECTION

The Directors who are standing for re-election at the 34th AGM are:

- (a) Tan Sri Dato’ Tan Hua Choon; and
- (b) Mr Thor Poh Seng.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

The details of the Directors’ attendance at Board Meetings held during the financial year ended 31 March, 2003 are disclosed in the Corporate Governance Statement set out in page 10 of this Annual Report.

BOARD OF DIRECTORS

Tan Sri Dato' Tan Hua Choon
(Chairman, Non-Independent Non-Executive Director)
 Lim Jian Hoo *(Executive Director)*
 Thor Poh Seng *(Executive Director)*
 Ong Euan George *(Non-Independent Non-Executive Director)*
 Lee Yu-Jin *(Independent Non-Executive Director)*
 Yazween Binti Dato' Yahya *(Independent Non-Executive Director)*

AUDIT COMMITTEE

Lee Yu-Jin *(Chairman) (MIA Member)*
 Ong Euan George *(MIA Member)*
 Yazween Binti Dato' Yahya

NOMINATION COMMITTEE

Tan Sri Dato' Tan Hua Choon
 Lee Yu-Jin
 Yazween Binti Dato' Yahya

REMUNERATION COMMITTEE

Tan Sri Dato' Tan Hua Choon
 Lee Yu-Jin

**SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR**

Lee Yu-Jin
 Fax: (03) 4043 6750

COMPANY SECRETARY

Lim Lai Sam

REGISTERED OFFICE

8-3, Jalan Segambut
 51200 Kuala Lumpur
 Tel : (03) 4043 9266
 Fax: (03) 4043 6750

PRINCIPAL BANKERS

Citibank Berhad
 EON Bank Berhad

SHARE REGISTRARS

PFA Registration Services Sdn Bhd
 Level 13, Uptown 1
 No. 1, Jalan SS21/58
 Damansara Uptown,
 47400 Petaling Jaya
 Selangor Darul Ehsan
 Tel : (03) 7725 4888/7725 8046
 Fax: (03) 7722 2311

AUDITORS

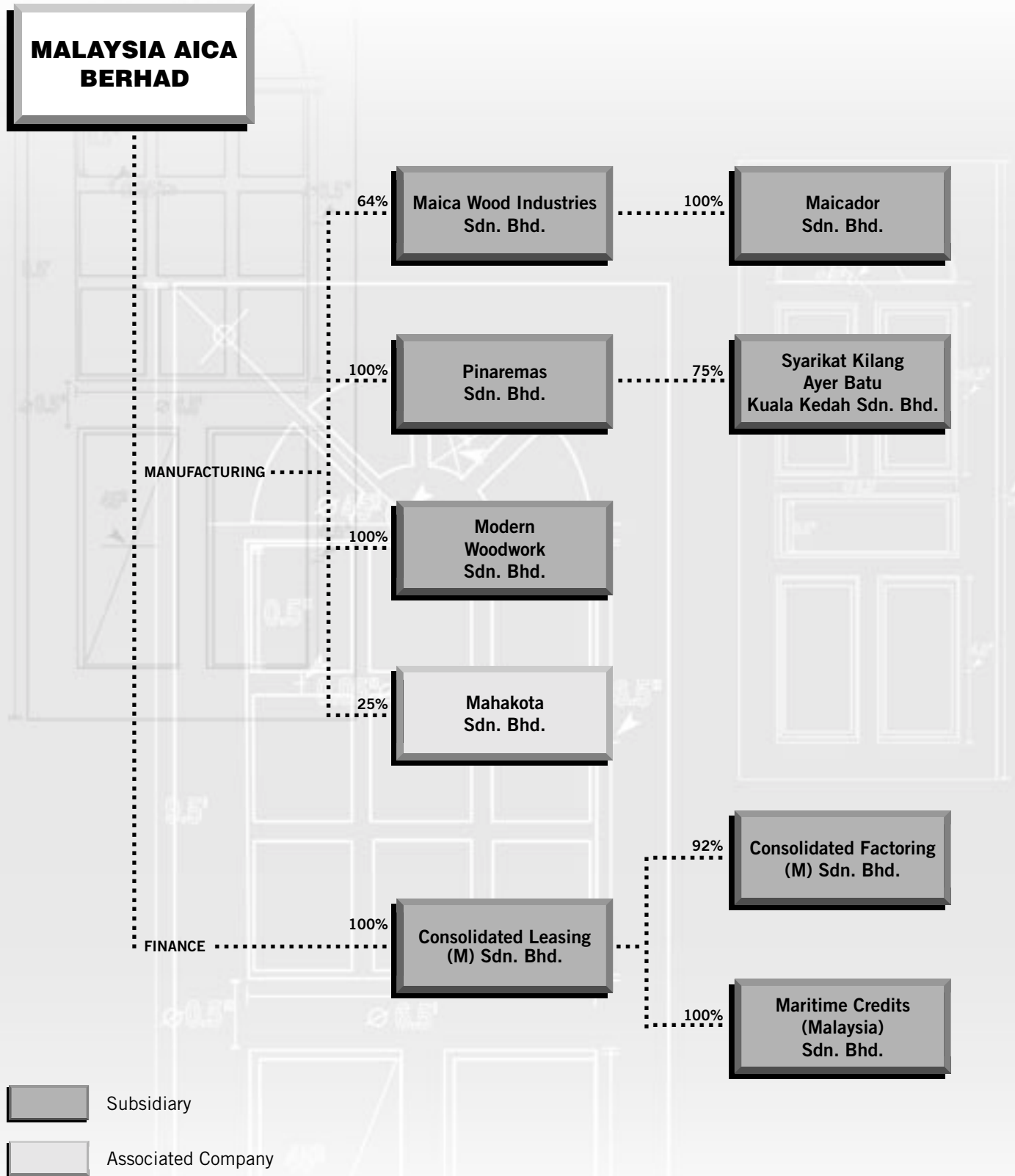
Messrs PricewaterhouseCoopers
Chartered Accountants

STOCK EXCHANGE LISTING

The Kuala Lumpur Stock Exchange
Main Board

Group Structure

as at 31 March, 2003



Note: Companies which are dormant or which have not commenced active operations are excluded

Group

Financial Highlights

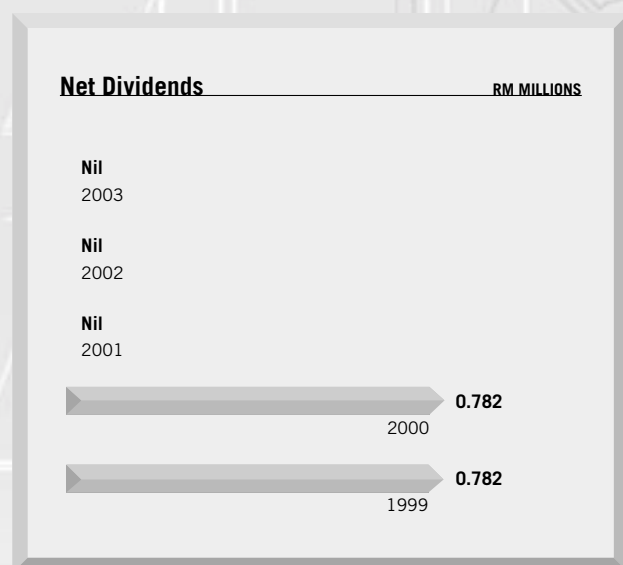
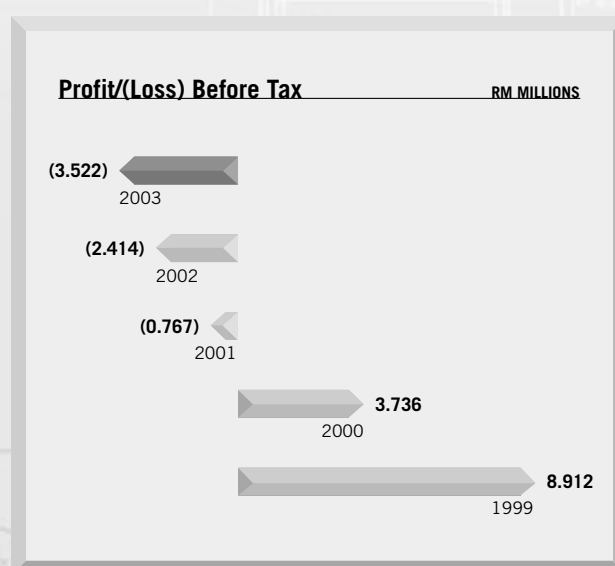
for the five financial years ended 31 March, 2003

| | 1999 RM'000 | 2000 RM'000 | 2001 RM'000 | 2002 RM'000 | 2003 RM'000 |
|--|----------------|----------------|----------------|----------------|------------------|
| Revenue | 45,793 | 31,635 | 23,531 | 25,660 | 27,388 |
| Profit/(Loss) Before Tax | 8,912 | 3,736 | (767) | (2,414) | (3,522) |
| Profit/(Loss) After Tax And Minority Interest Attributable To Shareholders | 7,584 | 2,350 | (226) | (1,486) | (2,629) |
| Dividends – Net | 782 | 782 | – | – | – |
| Shareholders' Fund | 83,592 | 85,160 | 85,647 | 84,449 | 81,820 |
| Earnings/(Loss) Per Share Based On Profit/(Loss) After Tax And Minority Interest | 7.0 sen | 2.2 sen | (0.2 sen) | (1.2 sen) | (2.1 sen) |
| Net Tangible Assets Per Share | 77 sen | 78 sen | 78 sen | 77 sen | 63 sen |
| Dividend Rate | 2% | 2% | – | – | – |

Group

Financial Highlights

for the five financial years ended 31 March, 2003



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 March, 2003.

RESULTS

The Group recorded a revenue of RM27.4 million and loss before taxation of RM3.5 million for the financial year ended 31 March, 2003 after incorporating goodwill written-off of RM0.9 million.

The loss before taxation and goodwill written-off was RM2.6 million as compared to the previous financial year's loss before taxation and before recovery of bad debt of RM3.9 million. The previous year's loss was however reduced by the recovery of bad debt of RM1.5 million resulting in a loss of RM2.4 million. The improved operating loss position for the reporting year was attributable to higher production output and better control of production and administration costs.

The Company reported a profit before taxation of RM0.57 million for the current financial year compared to profit before taxation of RM1.2 million in the previous financial year. The reduction is mainly due to increased administration cost coupled with lower interest income from fixed deposits.

REVIEW OF OPERATIONS

During the 2003 financial year, the Group's principal activities remained unchanged in the wood-based manufacturing sector. The wood products division recorded an increased revenue of RM25.2 million compared to RM23.2 million in the previous year.

Maicador Sdn Bhd continued to focus on door production mainly for export markets. The loss incurred by Maicador Sdn Bhd was reduced significantly compared to the previous year due to higher production output as a result of increase in export sales.

Maica Wood Industries Sdn Bhd continued to produce rubber wood boards and round bars to cater for the Japanese market. The performance of Maica Wood Industries Sdn Bhd had not been satisfactory mainly due to higher cost of rubber wood materials as well as very competitive pricing demanded by customers. Due to the high cost of rubber wood, the Management is now exploring other timber species to cater for new markets other than depending on the traditional Japanese market.

PROSPECTS

In view of the implementation of the Japanese Agricultural Standards (JAS) and Japanese Industrial Standards (JIS), the technical standard of building materials on the formaldehyde based glue which came into effect in early 2003, manufacturers exporting wood products to Japan now require a licence certified by the Ministry of Agriculture in Japan.

Maica Wood Industries Sdn Bhd has applied for the licence and approval is expected in the second quarter of the next fiscal year. Due to the above and the sluggish Japanese economy, our exports have been drastically affected and a recovery is not expected until the beginning of 2004 when we obtain the JAS/JIS Certificate. In an effort to boost sagging revenue, the Group has embarked on a diversification programme to change the existing business model.

Aside from replacing old machines for existing products, steps are taken to set up new production lines for manufacturing other related products such as finger jointed sticks using local mixed wood, and the manufacture of door jambs. These new machines have been identified and are expected to be installed towards the end of 2003, with production coming on-stream in early 2004.

DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the financial year ended 31 March, 2003.

APPRECIATION

On behalf of the Board, I would like to extend our appreciation to the Management and Staff for their efforts, commitment and contribution. I would also like to express my sincere appreciation to our valued customers, business associates and shareholders for their continued support and confidence.

Tan Sri Dato' Tan Hua Choon

Chairman

Kuala Lumpur
21 August, 2003

Profile of Board of Directors

Tan Sri Dato' Tan Hua Choon

62 years old - Malaysian (*Chairman, Non-Independent Non-Executive Director*)

Tan Sri Dato' Tan was appointed as Director and Chairman of the Company on 23 September, 1995 and 19 April, 1996 respectively. On 25 March, 2002, he was appointed to the Nomination Committee and Remuneration Committee of the Company.

Tan Sri Dato' Tan is a self-made businessman with vast experience in various fields and industries. He has been involved in a wide range of businesses for the past 39 years, which include manufacturing, marketing, banking, shipping, property development and trading.

During the last 11 years, he has built-up investments in numerous public listed companies. He is also the Chairman of Jasa Kita Berhad, Keladi Maju Berhad, GPA Holdings Berhad, PDZ Holdings Bhd, FCW Holdings Berhad and Marco Holdings Berhad.

Lim Jian Hoo

57 years old - Malaysian (*Executive Director*)

Mr Lim was appointed as Director of the Company on 1 February, 1997.

He graduated with a Bachelor of Economics (Honours) degree from University of Malaya in 1969, obtained a Banking Diploma from the Chartered Institute of Bankers London in 1972 and became an Associate Member of Institut Bank-Bank Malaysia in 1980.

Mr Lim joined Standard Chartered Bank Berhad in 1970 and worked in the banking sector for 22 years. In early 1993, he joined Malaysian General Investment Corporation Berhad ("MGIC") as its Deputy Group Chief Executive and later assumed the post of Chief Executive Officer of Charles Bradburne, a subsidiary of MGIC. From 1994 to 1996, he was attached with IC Bank Rt. Budapest, Hungary as the President and Chief Executive Officer where he was responsible for the setting up and development of the infrastructure framework of a new bank. He is also a Director of PDZ Holdings Bhd.

Thor Poh Seng

43 years old - Malaysian (*Executive Director*)

Mr Thor was appointed as Director of the Company on 23 September, 1995 and had served the Audit Committee of the Company from 23 December, 1995 to 15 December, 2001.

He holds a Bachelor of Engineering degree from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) and a Master's degree in Business Management from Asian Institute of Management, Philippines.

Mr Thor was an ex-merchant banker from Commerce International Merchant Bankers Berhad ("CIMB") with extensive experience in corporate finance and corporate planning. Prior to joining CIMB, he has held senior positions in operations and in finance in Dunlop Estates Berhad and Sitt Tatt Berhad respectively. He is also a Director of Jasa Kita Berhad, Keladi Maju Berhad, GPA Holdings Berhad, PDZ Holdings Bhd, FCW Holdings Berhad and Marco Holdings Berhad.

Profile of Board of Directors

Ong Euwan George

48 years old - Malaysian (*Non-Independent Non-Executive Director*)

Mr Ong was appointed as Director of the Company on 8 January, 1987 and became an Audit Committee member of the Company on 15 December, 2001.

He studied Business Studies (Accounting) at Swinburne College of Technology, Australia and is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow of the CPA Australia.

Mr Ong has been in the stock broking industry and held various managerial positions in international fund management and investments in Permodalan Nasional Berhad (“PNB”) before assuming his present position as Senior Manager Research & Technology Analysis of PNB. He is also a Director of Hap Seng Consolidated Berhad.

Lee Yu-Jin

36 years old - Malaysian (*Independent Non-Executive Director*)

Mr Lee was appointed as Director of the Company and Chairman of the Audit Committee on 25 March, 2002. On the same day, he was also appointed to the Nomination Committee and Remuneration Committee of the Company. He graduated from University of Manchester, U.K. with a Bachelor of Arts (Honours) in Economics and is also a Member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants.

Prior to joining Malaysia Aica Berhad, Mr Lee has held senior positions in finance and corporate affairs, accounting and banking. He is also a Director of FCW Holdings Berhad and several private companies.

Yazween Binti Dato' Yahya

28 years old - Malaysian (*Independent Non-Executive Director*)

Cik Yazween was appointed as Director of the Company and member of the Audit Committee on 25 March, 2002.

She was also appointed to the Nomination Committee of the Company on 25 March, 2002.

Cik Yazween holds a Diploma in Law from HELP Institute, Kuala Lumpur and a Bachelor of Law (Hons) from University of Glamorgan, United Kingdom.

She also sits on the Board of Keladi Maju Berhad.

FURTHER INFORMATION ON THE BOARD OF DIRECTORS:

- **Family Relationship**
None of the Directors have any family relationship with other Directors and major shareholders of the Company.
- **Conflict of Interest**
None of the Directors have any conflict of interest with the Company.
- **Conviction of Offences**
None of the Directors have been convicted of any offence within the past 10 years, other than traffic offence, if any.

Corporate Governance

Statement

The Board of Directors of Malaysia Aica Berhad fully subscribes to and supports the spirit of the Malaysian Code On Corporate Governance ("the Code") and is committed to ensuring that the principles and best practices of the Code are observed and practiced throughout the Group in the pursuit of discharging its roles and responsibilities to protect the shareholders' interests and enhance the financial performance of the Group.

The Board is pleased to report that the Group had substantially complied with the Code throughout the financial year ended 31 March, 2003. Nevertheless, ongoing reviews will be carried out from time to time to reassess and refine the governance framework towards further enhancing the Groups' business prosperity and corporate accountability.

Set out below are the details of how the Group has applied the principles and complied with the best practices outlined in Parts 1 and 2 of the Code respectively.

A. BOARD OF DIRECTORS

i) The Board

The Malaysia Aica Berhad Group of Companies is managed and led by an experienced and effective Board who has within it individuals drawn from varied professionals and specialisation in the fields of manufacturing, trading, marketing, finance, accounting, corporate affairs and administration. Together with the Management, they collectively bring a diverse range of skills and expertise to effectively discharge their responsibilities towards achieving the Group's business strategies and corporate goals.

The Executive Directors frequently attend the Group's management meetings wherein operational details and other issues were discussed and considered. Apart from the management meetings, the Executive Directors also hold other informal meetings with the other members of the Board whenever necessary.

There were two official Board Meetings held during the financial year ended 31 March, 2003. The record of attendance for each Director at those meetings is set out below:-

| Directors | Status | No. of Board Meetings Attended | % of Attendance |
|---|--|--------------------------------|-----------------|
| Tan Sri Dato' Tan Hua Choon (Chairman) | Non-Independent Non-Executive Director | 2 | 100 |
| Mr Lim Jian Hoo | Executive Director | 2 | 100 |
| Mr Thor Poh Seng | Executive Director | 2 | 100 |
| Mr Lee Yu-Jin | Independent Non-Executive Director | 2 | 100 |
| Mr Ong Euwan George | Non-Independent Non-Executive Director | 2 | 100 |
| Cik Yazween Binti Dato' Yahya | Independent Non-Executive Director | 1 | 50 |

ii) Board Committees

The Board has delegated specific functions to its three Committees; namely the Audit, Nomination and Remuneration Committees which operate under their respective clearly defined terms of reference. These Committees who do not have executive powers, will deliberate and examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision, however, lies with the entire Board.

Audit Committee

The Maica Audit Committee was established on 19 January, 1994. The composition of the Committee, terms of reference and the summary of its activities carried out during the financial year ended 31 March, 2003 are set out in pages 16 to 18 of this Annual Report.

Corporate Governance Statement

Nomination Committee

The Nomination Committee, which was established on 25 March, 2002 and comprising three Non-Executive Directors, two of whom are independent, is tasked with the responsibility of recommending to the Board, suitable candidates for appointment as Directors and to fill the seats on Board Committees wherever necessary. It will also carry out the process of assessing the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.

Decision on appointment of new directors is made by the full Board on a collective basis after considering recommendations of the Nomination Committee.

Generally, the Nomination Committee will assist the Board to review annually its required mix of skills, experience and other qualities, including core competencies which the Non-Executive Directors should bring to the Board.

The present members of the Nomination Committee are:-

- 1) Tan Sri Dato' Tan Hua Choon – *Non-Independent Non-Executive Director*
- 2) Mr Lee Yu-Jin – *Independent Non-Executive Director*
- 3) Cik Yazween Binti Dato' Yahya – *Independent Non-Executive Director*

During the financial year ended 31 March, 2003, the Nomination Committee members met once where it noted its terms of reference and adopted the procedure for nomination and selection of candidates for directorship as well as the process for annual review of Board effectiveness as a whole including Board committees as well as each individual director. In addition to that, the Committee also endorsed the Assessment Form for the assessment of potential candidates proposed for directorship and the Performance Evaluation Survey Form for use in their annual review of directors' performance and contributions.

Remuneration Committee

The Board had also set up a Remuneration Committee on 25 March, 2002 which comprise wholly of Non-Executive Directors. The Committee is responsible for making recommendation to the Board, the remuneration of the Executive Directors in all its forms, drawing from outside resources where necessary.

The present members of the Remuneration Committee are:

- 1) Tan Sri Dato' Tan Hua Choon – *Non-Independent Non-Executive Director*
- 2) Mr Lee Yu-Jin – *Independent Non-Executive Director*

The Remuneration Committee members met once during the financial year where it noted its terms of reference and adopted the procedures for developing policies on executive and non-executive remuneration.

iii) Board Balance

Presently, the constitution of the Board comprise six members with two Executive Directors and four Non-Executive Directors, two of whom are Independent Non-Executive Directors. With this Board composition, the Company fully complies with the Kuala Lumpur Stock Exchange Listing Requirements ("KLSE LR") with regard to the constitution of the Board of Directors and the required ratio of independent directors, as well as the requirement for a director who is a member of the Malaysian Institute of Accountants to sit on the Audit Committee. The profiles of each Board member are set out in pages 8 to 9 of this Annual Report.

The Board considers its current composition with the mix of skills and expertise sufficient and optimum to discharge its duties and responsibilities effectively.

Corporate Governance Statement

There is clear segregation of responsibility between the Chairman of the Board and the Executive Directors to ensure that there is a balance of power and authority in the Group:

- The Non-Executive Chairman is primarily responsible for the effectiveness and proper conduct of the Board; while
- The Executive Directors have the responsibility of implementing the policies and decisions of the Board, overseeing as well as coordinating the development and implementation of business and corporate strategies.

The Non-Executive Directors participate in areas such as establishment of policies and strategies, performance monitoring as well as improving governance and control and are independent of management and have no relationships which could materially interfere the exercise of their independent judgment so as to ensure that the interests of not only the Group, but also the stakeholders and the public in general are represented.

iv) Supply of Information

All the Board and committee members have timely access to relevant information pertaining to the Group as well as to the advice and services of the Company Secretary, Management representatives and independent professional advisers wherever necessary, at the Company's expense to enable the Board and committee members to discharge their duties with adequate knowledge on the matters being deliberated. They are also kept informed of the requirements and updates issued by the regulatory authorities from time to time.

Prior to each scheduled Board Meeting, all the Directors are provided with the requisite notice, agenda and the relevant Board Papers to enable them to have sufficient time to peruse the papers and, if necessary, obtain further information or clarification from the Management to ensure effectiveness of the proceedings of the meetings. Senior Management members are invited to attend these meetings to explain and clarify matters.

In addition, there is a formal schedule of matters specifically reserved for the Board's decision including, among other things, business strategies, operational policies and efficacies, product quality measures, acquisitions and disposals of material assets, investment policies and approval of financial statements.

v) Appointments to the Board

Appointment of new Directors will first be considered and evaluated by the Nomination Committee, through a formal and transparent selection procedure, after which appropriate recommendation will be put forward to the Board for its consideration and approval.

vi) Directors' Training

All the existing members of the Board have completed the Mandatory Accreditation Programme conducted by Research Institute of Investment Analyst of Malaysia ("RIIAM") and they will continue to participate in the Continuing Education Programme to further enhance their knowledge in respect of the latest statutory and regulatory developments.

vii) Re-election of Directors

In accordance with the Company's Memorandum and Articles of Association, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from the office and be eligible for re-election at each Annual General Meeting. Newly appointed Directors shall hold office until the conclusion of the next Annual General Meeting and shall be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The Articles also provide that all Directors are subject to retirement by rotation at least once every three (3) years.

Corporate Governance Statement

B. DIRECTORS' REMUNERATION

i) Level and Make-up

The Board as a whole reviews the levels of remuneration offered for Directors to ensure that they are sufficient to attract and retain Directors with the relevant experience and expertise needed to manage the Group successfully, while taking into consideration at the same time the state of the economy in general and the performance of the industry and the Group in particular.

In the case of Executive Directors, the component parts of remuneration are structured to link rewards to corporate and individual performance. As for the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive concerned.

ii) Procedure

The Remuneration Committee is responsible for recommending to the Board the policy framework of executive remuneration and the fixing of the remuneration of individual Director. The Director concerned will abstain from deliberation and decision in respect of his/her own remuneration package.

iii) Disclosure

The details of Directors' remuneration paid or payable to all the Directors of the Company who served during the financial year ended 31 March, 2003 are as follows:-

a) Aggregate remuneration of Directors categorised into the following components:

| Category of Remuneration * | Executive Directors (RM'000) | Non-Executive Directors (RM'000) | Total (RM'000) |
|---|---------------------------------|-------------------------------------|-------------------|
| (a) Fees | – | 42 | 42 |
| (b) Salaries and other emoluments | 356 | – | 356 |
| (c) Bonuses | 26 | – | 26 |
| (e) Estimated value of benefits-in-kind | 4 | 1 | 5 |
| Total | 386 | 43 | 429 |

* The remuneration of each Director is not separately disclosed as it is deemed private and confidential.

b) The number of Directors whose remuneration fall within the following bands:

| Band (RM) | No. of Executive Directors | No. of Non-Executive Directors | Total |
|-------------------|-------------------------------|-----------------------------------|----------|
| 1 - 50,000 | – | 4 | 4 |
| 50,001 - 100,000 | 1 | – | 1 |
| 100,001 - 150,000 | – | – | – |
| 150,001 - 200,000 | – | – | – |
| 200,001 - 250,000 | – | – | – |
| 250,001 - 300,000 | 1 | – | 1 |
| Total | 2 | 4 | 6 |

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

i) Dialogue between Company and Investors

Timely release of the quarterly financial results of the Group, audited financial statements, corporate developments and announcements of the Group via the KLSE LINK, Company's annual reports and other circulars to shareholders and where appropriate, ad hoc press statements serve as the principal channel to keep the shareholders and the investing public informed of the Group's major development, financial performance and progress throughout the year.

Corporate Governance Statement

ii) General Meetings of Shareholders

The Annual General Meeting (“AGM”) of the shareholders of the Company represents the main venue for interaction between the Board and the shareholders. At each AGM, the Board presents the progress and performance of the business of the Group during the particular financial year as contained in the Annual Report. Shareholders are given the opportunity to express their view or seek clarification on issues pertaining to the Group’s accounts, transactions, business activities and prospects of the Group wherein, the Directors, Accounting Manager and Auditors are available to respond to the queries before each resolution is carried.

Extraordinary General Meetings (“EGM”) of the Company will be held as and when shareholders’ approvals are required on specific matters. Notices of AGM and EGM are advertised in a major local daily newspaper. They are also distributed to shareholders within a reasonable and sufficient time frame. In addition to that, a press conference is normally held after each AGM or EGM of the Company whereat, the Board members are available to answer questions pertaining to the business operations and directions of the Group posted by the journalists.

Any queries and concerns pertaining to the Group may be conveyed to Mr Lee Yu-Jin, the Senior Independent Non-Executive Director of the Company, at the registered office of the Company.

D. ACCOUNTABILITY AND AUDIT

i) Financial Reporting

The Audit Committee assists the Board in reviewing the Group’s quarterly results and annual financial statements to ensure correctness and adequacy prior to these results being presented to the Board. The Board takes note of the comments and recommendations of the Audit Committee and conducts a balanced and detailed assessment of the Group’s financial position and prospects. The results are then released by the Secretary via KLSE LINK after the Board adopts them.

A statement by Directors of their responsibilities in preparing the financial statements is set out in page 15 of this Annual Report.

ii) Internal Control

The Board places significant emphasis on a sound internal control system which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders’ investment and company’s assets. The internal control system is designed to meet the Group’s particular needs and to manage the risks to which it is exposed.

The Internal Control Statement by the Board which provides an overview of the Group’s state of internal control is set out in page 19 of this Annual Report.

iii) Relationship with Auditors

The Board of Directors and the Management maintain a formal and transparent relationship with the Group’s Auditors in seeking their professional advice and opinion with regard to the Group’s compliance with the relevant approved accounting standards.

The role of the Audit Committee in relation to its relationship with the External Auditors is set out in pages 16 to 18 of this Annual Report.

This statement on corporate governance is made by the Board of Directors of Malaysia Aica Berhad in accordance with a Board Resolution of 22 July, 2003.

Directors' Responsibility Statement

The Directors are collectively responsible to ensure that the financial statements of the Company and the Group are drawn up in accordance with the applicable approved accounting standards of Malaysia, KLSE Listing Requirements and the provisions of the Companies Act, 1965 ("the Act") so as to give a true and fair view of the Company and the Group's state of affairs, results and cashflow position for the financial year ended 31 March, 2003.

In preparing the financial statements, the Directors have selected and applied consistently relevant and appropriate accounting policies, made reasonable judgments and estimates that are prudent and on the going concern basis.

The Directors are responsible to ensure that the Company keeps adequate accounting records which disclose with reasonable accuracy the financial position of the Company and the Group at any time and which enable them to confirm that the financial statements comply with the requirements of the Act. In addition, the Directors have the general responsibility for taking reasonable steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

Additional Compliance Information

MATERIAL CONTRACT INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

During the reporting financial year, there were no material contracts entered into by the Group which involved directors' and major shareholders' interests.

REVALUATION POLICY ON LANDED PROPERTIES

The Group does not have any revaluation policy on landed properties.

Audit Committee Report

The Malaysia Aica Berhad (“Maica”) Audit Committee was established by the Company’s Board of Directors on 19 January, 1994.

MEMBERSHIP AND MEETINGS

The Maica Audit Committee held five meetings during the financial year ended 31 March, 2003. The members of the Maica Audit Committee and their respective attendance at the Maica Audit Committee meetings were as follows:

| Names | Membership | Status | No. of Audit Committee Meetings Attended |
|-------------------------------|------------|--|--|
| Mr Lee Yu-Jin | Chairman | Independent Non-Executive Director | 5/5 |
| Mr Ong Euwan George | Member | Non-Independent Non-Executive Director | 5/5 |
| Cik Yazween Binti Dato’ Yahya | Member | Independent Non-Executive Director | 2/5 |

The Executive Directors, Accounting Manager and Internal Audit Consultants were invited to attend the Maica Audit Committee meetings for the briefing on the activities involving their areas of responsibilities. The Maica Audit Committee was also briefed by the external auditors on their annual audit findings.

The proceedings of each Maica Audit Committee meeting were documented and distributed to all the Board members.

TERMS OF REFERENCE

1. Membership

The Maica Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than 3 members, a majority of whom shall be independent non-executive directors. An alternate director cannot be appointed as a member of the Committee. In the event of any vacancy in the Committee which results in non-compliance of paragraph 15.10(1) of the KLSE Listing Requirements (“KLSE LR”), the vacancy shall be filled within 3 months.

At least one member of the Committee must be qualified under paragraph 15.10 (1)(c) of the KLSE LR.

The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

2. Frequency of Meetings

Meetings shall be held not less than four times a year. In addition, the Chairman of the Committee may call a meeting of the Committee upon the request of the external auditors, to consider any matter the external auditors believe should be brought to the attention of the Board and shareholders.

Majority members present in person who are independent non-executive directors shall be a quorum.

3. Secretary

The Company Secretary shall be the secretary of the Committee.

4. Authority

The Maica Audit Committee shall, at the Company’s expense, have the following authority and rights:-

1. full and unrestricted access to any information and documents from the external auditors and senior management of the Company and the Group which are relevant to the activities of the Company.
2. be provided with the necessary resources which are required to perform its duties.
3. the right to investigate into any matter within its terms of reference and as such, have direct communication channel with the external auditors and persons carrying out the internal audit function of the Company.
4. the liberty to obtain independent professional advice and to secure the attendance of such external parties with relevant experience and expertise at its meeting if it considers this necessary.
5. the right to convene meetings with the external auditors, excluding the attendance of its executive members and may extend invitation to other non-member directors and officers of the Company to attend a specific meeting, whenever deemed necessary.

Audit Committee Report

5. Duties

The Maica Audit Committee shall report to the Board of Directors either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference.

The duties of the Maica Audit Committee shall be:-

- i) To review the audit plan with the external auditors;
- ii) To review the audit report with the external auditors;
- iii) To review the assistance given by the Company's officers to the external auditors;
- iv) To review the quarterly results and year end financial statements of the Company and the Group, prior to the approval by the Board, focusing particularly on:
 - a. changes in or implementation of major accounting policies;
 - b. significant and unusual events; and
 - c. compliance with accounting standards, regulatory and other legal requirements.
- v) To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- vi) To review the adequacy of the scope, functions and resources of the internal audit functions and to ensure that it has the necessary authority to carry out its work;
- vii) To review any internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function;
- viii) To review any evaluation made on the systems of internal controls with the internal and external auditors;
- ix) To recommend to the Board of Directors the appointment of the external auditors and the level of their fees;
- x) To review the letter of resignation from the external auditors, if any;
- xi) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment; and
- xii) To undertake such other functions as may be agreed by the Maica Audit Committee and the Board.

6. Performance Review

The term of office and performance of the Maica Audit Committee and each of its members shall be reviewed by the Board of Directors of the Company at least once every three (3) years to determine whether the committee and members have carried out their duties in accordance with the Audit Committee's terms of reference.

ACTIVITIES OF THE COMMITTEE

During the financial year ended 31 March, 2003, the activities carried out by the Maica Audit Committee included, among others, the following:-

- a. Reviewed the unaudited quarterly reports on the consolidated results and financial statements of the Company and the Group prior to tabling of the same to the Board of Directors.
- b. Reviewed the external audit plan for the financial year ended 31 March, 2003, auditors' reports in relation to their audit findings and the accounting issues arising from the audit.
- c. Reviewed the assistance given by the Management to the external auditors.
- d. Reviewed the adequacy of provisions made for doubtful debts and the writing-off of bad debts and obsolete stocks of the Company and the Group.

Audit Committee Report

- e. Reviewed the year end financial statements of the Company and the Group, prior to their adoption by the Board, focusing on:-
 - i) changes in or implementation of major accounting policies, if any.
 - ii) significant and unusual events, if any.
 - iii) compliance with accounting standards, regulatory and other legal requirements.
- f. Reviewed the adequacy of the existing policies, procedures and systems of internal control of the Group.
- g. Discussed with the external auditors, the applicability and the impact of the new accounting standards issued by the Malaysian Accounting Standards Board.
- h. Discussed with the Secretary, the impact of new provisions of the KLSE LR, in particular the guidelines to be complied with by the Audit Committee within the time frame stipulated therein.
- i. Reviewed the internal audit reports which outlined the risks identified, recommendations towards the areas of weaknesses and the Management's responses. Discussed with the Management the improvement actions taken in the areas of internal control systems and efficiency enhancements proposed by the Internal Audit Consultants based on the internal audit findings.
- j. Reviewed and assessed 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 pursuant to the KLSE LR. Recommended to the Board of Directors the required action plans to address the non-compliance areas under the Group's existing practice.
- k. Reviewed the Standard Operating Policies and Procedures for the purchasing department of the Wood-Based Division.
- l. Reviewed the business strategy plan for the Wood-Based Division established by the Management.
- m. Reviewed the internal audit plan for the year 2003 based on the Group Risk Profile established by the Internal Audit Consultants.
- n. Reviewed the Group Budget for the financial year ended 31 March, 2003 prior to submission to the Board for adoption.
- o. Monitored the level of operations of the Group.

INTERNAL AUDIT FUNCTION

The Board has outsourced the internal auditing services to an internal audit consultancy company to assist the Board, Audit Committee and Management in the discharge of the internal audit function. The role of the Internal Audit Consultants is to provide independent and objective reports on the state of internal control and compliance to policies and procedures.

The Audit Committee approves the internal audit plan prior to the commencement of the new financial year. The scope of Internal Audit covers the audits of all units and operations, including subsidiaries. The Internal Audit Consultants have adopted a risk-based approach towards the planning and conduct of audits which is consistent with the Group's established risk framework and self-assessment approach in generating an embedded risk management capability and acceptable risk culture within the organisation.

The attainment of such objectives involves the following activities to be carried out by the Internal Audit Consultants:

- Identifying the principal risks that the Group faces covering various aspects of the businesses which including operational, financial, statutory or other compliance requirements and human resources.
- Conduct regular and thorough evaluation of the nature and extent of the risks to which the Group's businesses are continuously exposed to due to the evolving nature of the Group's objectives, internal organisation and business environment.
- Ascertaining the extent to which the Group's assets are accounted for and safeguarded.
- Evaluate and improve the existing systems of internal control within the Group by reviewing its adequacy and effectiveness on an ongoing basis.
- Conducting investigation or special reviews requested by the Audit Committee and/or Management on ad hoc basis.

Internal Control Statement

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 whilst the Kuala Lumpur Stock Exchange and its Revamped Listing Requirements on *Statement on Internal Control* requires listed companies to include a statement on the state of their internal controls in their annual reports.

RESPONSIBILITY

The Board of Directors affirms its overall responsibility for maintaining the Group's systems of internal controls and its risk management framework to safeguard shareholders' investments and the Groups assets. Whilst these systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, any system can only provide reasonable, and not absolute, assurance against material mis-statements, errors, frauds or losses.

RISK MANAGEMENT FRAMEWORK

During the year, the Internal Audit Consultants have implemented a risk management framework and established a Risk Management Committee to assist the Board of Directors in identifying, evaluating and managing the significant risks affecting the Group's businesses.

The Internal Audit Consultants, together with the assistance of executive management, have reported on the "Group Risk Profile" which covers all identified and significant risks and controls associated with the Group's businesses to the Audit Committee. In this respect, an internal audit plan has been approved by the Board which focuses on the identified areas of priority towards the management of the significant risks impacting the achievement of the business objectives of the Group.

The Board of Directors, together with executive management and with the assistance of the Internal Audit Consultants, are responsible to implement appropriate systems of controls and strategies in order to mitigate these risks and manage the effectiveness of the control systems. The Group Risk Profile will be subjected to regular reviews in line with changes in its business environment, strategies and activities.

INTERNAL CONTROL

The Internal Audit Consultants are independent of the activities they audit and they have direct reporting responsibility to the Audit Committee. The review by the Internal Audit Consultants covers financial and operational controls together with compliance to policies and procedures. These are designed to provide sufficient assurance of regular reviews and appraisals of the effectiveness of the systems of internal controls within the Group.

The Internal Audit Consultants, together with the external auditors, will carry out such reviews and tests they consider appropriate and necessary to enable them to express an opinion on the financial statements and to assist the Audit Committee to review the effectiveness of the systems of internal controls. The Audit Committee reviews and deliberates on a quarterly basis the adequacy and integrity of the Group's internal control systems contained in the Internal Audit Consultants' reports after due and careful consideration of the information provided by the executive management.

Internal Control Statement

The Group's key elements of internal control are structured as follows:-

- The Board has established an organisation structure with clearly defined lines of accountability and delegated authority limits covering all significant aspects of operations.
- Operational management has clear responsibility for identifying and evaluating the risks facing their businesses, and for implementing procedures to mitigate and monitor such risks. Regular reviews are carried out by the Management team and issues are discussed and resolved at monthly Management meetings within the Group.
- The Audit Committee regularly reviews and holds discussions with the Management on the action taken on internal control issues identified at the Audit Committee meetings.
- There is a detailed budgeting process established which requires business units to prepare budgets annually. Key variances from budget are reported monthly and followed up by the Management.
- The Group has appropriately qualified financial management personnel responsible for the operation and monitoring of effective internal controls. Management accounts and reports are prepared monthly for effective monitoring and decision-making.
- The Group has a transparent relationship with the auditors which facilitate easy access to information and records.

Based on the Internal Audit Consultants' reports, the Audit Committee is of the opinion that the areas of existing systems of internal controls reviewed were satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the annual report. The Group continues to take measures to strengthen and deal with areas of improvement in the internal control environment of the Group.

This statement is made in accordance with a Board Resolution dated 29 May, 2003.