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## NOTICE of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Third Annual General Meeting ("33rd AGM") of the shareholders of the Company will be held at the Bunga Kenanga Room, Level 3, The Pan Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur on Friday, 20 September, 2002 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions :-

### AGENDA

- |  |  |
|--|--|
| 1. To receive and adopt the Audited Financial Statements of the Group and the Company for the financial year ended 31 March, 2002 and the reports of the Directors and Auditors thereon. | <b>Ordinary Resolution 1</b>                                       |
| 2. To approve the payment of Directors' fees in respect of the financial year ended 31 March, 2002.  | <b>Ordinary Resolution 2</b>                                       |
| 3. (i) To re-elect the following Directors retiring in accordance with Article 83 of the Company's Articles of Association :<br>(a) Mr Lim Jian Hoo<br>(b) Mr Ong Euwan George           | <b>Ordinary Resolution 3(a)</b><br><b>Ordinary Resolution 3(b)</b> |
| (ii) To re-elect the following Directors retiring in accordance with Article 90 of the Company's Articles of Association :<br>(c) Mr Lee Yu-Jin<br>(d) Cik Yazween Binti Dato' Yahya     | <b>Ordinary Resolution 3(c)</b><br><b>Ordinary Resolution 3(d)</b> |
| 4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.  | <b>Ordinary Resolution 4</b>                                       |
| 5. To transact any other ordinary business of the Company for which due notice has been given.   | <b>Ordinary Resolution 5</b>                                       |

By Order of the Board

### Lim Lai Sam

Secretary

Kuala Lumpur  
29 August, 2002

### Notes :

- |   |  |   |
|---|--|---|
| 1. A proxy may but need not be a member of the Company and the provision 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 proportion 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 his attorney duly authorised in writing or, if the appointor is a corporation, either under its 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, Messrs 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 33<sup>RD</sup> Annual General Meeting

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

The 33<sup>rd</sup> AGM of the shareholders of the Company will be held at the Bunga Kenanga Room, Level 3, The Pan Pacific Hotel Kuala Lumpur, Jalan Putra, 50350 Kuala Lumpur on Friday, 20 September, 2002 at 10.30 a.m.

The Directors who are standing for re-election at the 33rd AGM are :

- (a) Mr Lim Jian Hoo;
- (b) Mr Ong Euwan George;
- (c) Mr Lee Yu-Jin; and
- (d) Cik Yazween Binti Dato' Yahya.

The details of attendance of Directors of the Company at Board Meetings held during the financial year ended 31 March, 2002 are disclosed in the Corporate Governance Statement set out in page 11 of this Annual Report.

## CORPORATE Information

### 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 Euwan George (*Non-Independent Non-Executive Director*)  
Lee Yu-Jin (*Independent Non-Executive Director, appointed on 25 March, 2002*)  
Yazween Binti Dato' Yahya (*Independent Non-Executive Director, appointed on 25 March, 2002*)

### AUDIT COMMITTEE

Lee Yu-Jin (*Chairman (MIA Member)*)  
Ong Euwan 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

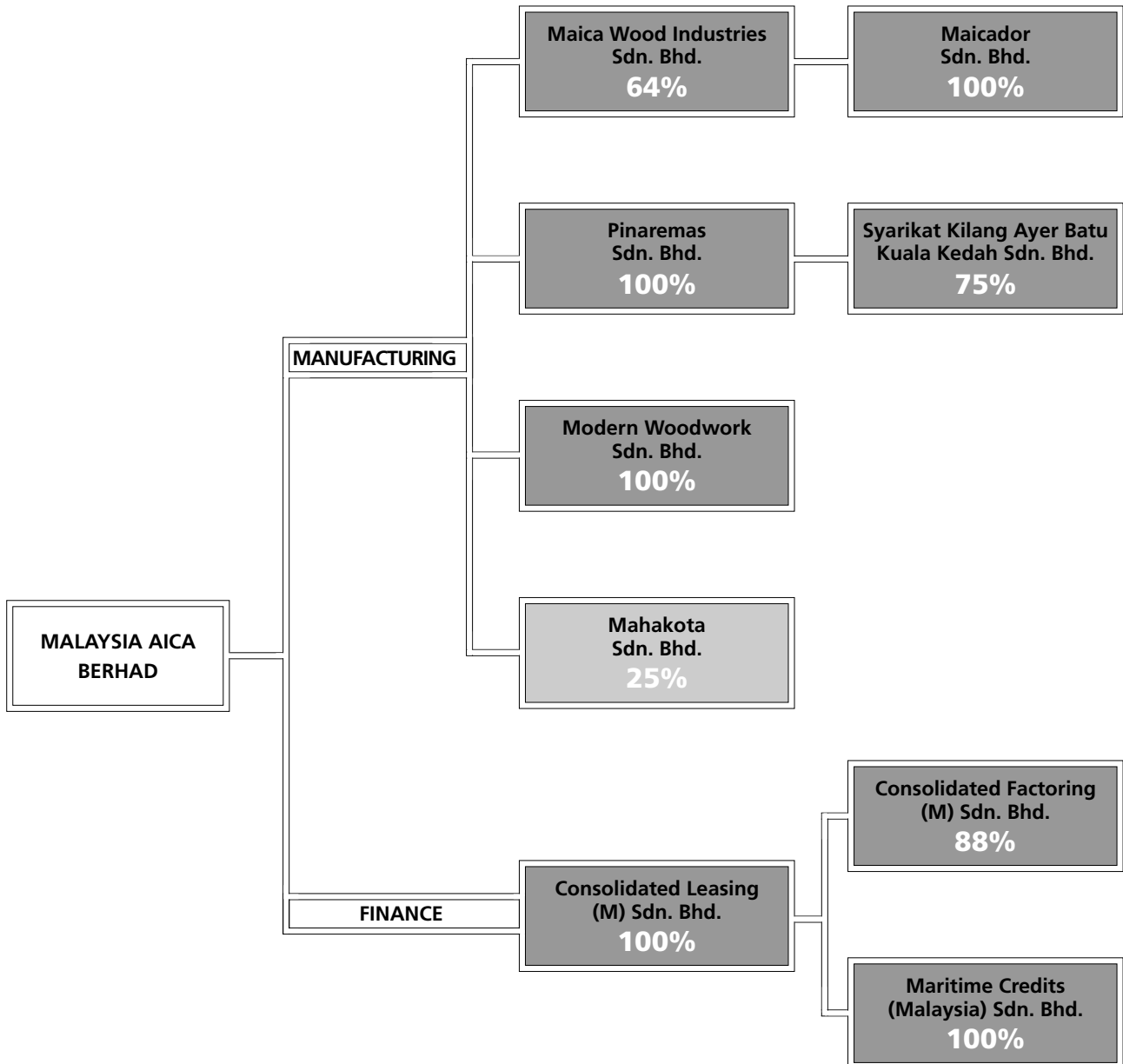
Messrs PricewaterhouseCoopers  
Chartered Accountants

### STOCK EXCHANGE LISTING

The Kuala Lumpur Stock Exchange  
Main Board

**GROUP Structure**

as at 31 March 2002



 Subsidiary

 Associated Company

**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 2002

	<b>1998</b> <b>RM'000</b>	<b>1999</b> <b>RM'000</b>	<b>2000</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>	<b>2002</b> <b>RM'000</b>
Revenue	77,014	45,793	31,635	23,531	<b>25,660</b>
Profit/(Loss) Before Tax	885	8,912	3,736	(767)	<b>(2,414)</b>
Profit/(Loss) After Tax And Minority Interest Attributable To Shareholders	487	7,584	2,350	(226)	<b>(1,486)</b>
Dividends – Net	782	782	782	–	–
Shareholders' Fund	76,790	83,592	85,160	85,647	<b>84,449</b>
Earnings/(Loss) Per Share Based On Profit/(Loss) After Tax And Minority Interest	0.4 sen	7.0 sen	2.2 sen	(0.2 sen)	<b>(1.4 sen)</b>
Net Tangible Assets Per Share	71 sen	77 sen	78 sen	78 sen	<b>77 sen</b>
Dividend Rate	2%	2%	2%	–	–

**GROUP FINANCIAL HIGHLIGHTS**

for the five financial years ended 31 March 2002

<b>REVENUE</b>	<b>RM MILLIONS</b>
	<b>25.660</b>   2002
	<b>23.531</b>   2001
	<b>31.635</b>   2000
	<b>45.793</b>   1999
	<b>77.014</b>   1998

<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>RM MILLIONS</b>
	<b>(2.414)</b>   2002
	<b>(0.767)</b>   2001
	<b>3.736</b>   2000
	<b>8.912</b>   1999
	<b>0.885</b>   1998

<b>NET DIVIDENDS</b>	<b>RM MILLIONS</b>
	<b>Nil</b>   2002
	<b>Nil</b>   2001
	<b>0.782</b>   2000
	<b>0.782</b>   1999
	<b>0.782</b>   1998

<b>SHAREHOLDERS' FUND</b>	<b>RM MILLIONS</b>
	<b>84.449</b>   2002
	<b>85.647</b>   2001
	<b>85.160</b>   2000
	<b>83.592</b>   1999
	<b>76.790</b>   1998

## CHAIRMAN'S Statement

**On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Accounts of the Company and the Group for the financial year ended 31 March, 2002.**

### RESULTS

The Group recorded a revenue of RM25.6 million and loss before taxation of RM2.4 million for the financial year ended 31 March, 2002, compared to a revenue of RM23.5 million and loss before taxation of RM0.767 million in the previous financial year. The losses made were mainly attributable to higher production costs consequent upon higher raw material costs.

At the company level, a pre-tax profit of RM1.15 million was recorded compared with RM1.44 million in the previous year. The higher profit reported in the previous year was mainly due to the profit made on disposal of quoted investment and gain on disposal of fixed asset.

### PROPOSED BONUS ISSUE

In appreciation of the shareholders' past and continuous support for the Malaysia Aica Berhad Group, the Board has proposed to reward the shareholders with a bonus issue which involves the issuance of 21,726,912 bonus shares credited as fully paid-up, on the basis of one (1) bonus share for every five (5) shares held. The proposed exercise which was announced on 23 July, 2002 will enable our shareholders to enjoy greater participation in the Company's equity in terms of the number of shares held.

### REVIEW OF OPERATIONS

During the 2002 financial year, the Group continued to focus on its core business in the wood-based manufacturing sector. The wood-based division registered an increased turnover of RM23.2 million from RM20.7 million the previous year.

Maicador Sdn Bhd continued to be involved in the production of veneer engineered doors and solid timber doors mainly for export to markets in the United States, Australia, Japan and the Middle East. Following the September 11th terrorist attack on the New York World Trade Centre in 2001, orders from the US market had slowed down. The Management has however taken steps and intensified its marketing efforts to secure a wider base of principal buyers in the US as well as in other markets.

The performance of Maica Wood Industries Sdn Bhd had been satisfactory until end of 2001. Following the Government's introduction of a reduction in the rate of export levy on sawn rubber wood from RM120 per cu.m. to RM60 per cu.m. beginning January 2002, suppliers began to export sawn rubber wood causing a shortage of the raw material locally. Local manufacturers, including ourselves had to resort to using higher cost dried rubber wood timber which in turn resulted in higher production cost. Following the reduced supply, the price of rubber wood spiraled to a high of RM730 - RM750 per ton compared to the price of RM650 - RM680 prior to the reduction of the export levy, an increase of 10 to 12 per cent. Despite this development, in order to defray fixed overhead costs, the Management has decided to continue producing rubber wood boards and round bars to cater to its existing customers network in the Japan market, which has a common preference for rubber wood.

The finance division made a marginal profit before tax of RM0.37 million for the financial year ended 31 March, 2002. However, as stated in the previous year, the priority of this division remains focused on debts recovery.

## CHAIRMAN'S STATEMENT

### PROSPECTS

With the Management having embarked on and intensifying sales and marketing campaigns towards the export markets, the Board is cautiously optimistic for the Group to meaningfully increase its market share in the wood-based sector. At the same time, a cost reduction exercise will be carried out across the Group to improve production efficiency and staff productivity.

Although the US economy is affected by malfeasance in financial reporting and the unsatisfactory performance of the telecommunication companies, the US housing sector which accounted for 14% of the nation's Gross Domestic Product remains one of the few bright spots. It is anticipated that residential building and home remodeling will continue to be vibrant there. The current weakening US Dollar may however impede the prospects of this sector. Against this background, the Group is confident of deriving improved results from the US market in 2002/03.

Overall, we expect to improve on the Group's performance in 2003 with the anticipated increase in turnover from the existing markets as well as new orders.

### DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the financial year ended 31 March, 2002.

### DIRECTORATE

On behalf of the Board of Directors, I am pleased to welcome Mr Lee Yu-Jin and Cik Yazween Binti Dato' Yahya who joined the Board on 25 March, 2002. I would also like to take this opportunity to express our sincere appreciation to Dato' Yahya Bin Hj Talib, En Pakh Ruddin Bin Sulaiman and En Hamzah Bin Dato' Dr Mohd Salleh, who stepped down from the Board in the last financial year, for their invaluable contributions to the Group.

### 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 shareholders, valued customers and business associates for their continued support and confidence.

**Tan Sri Dato' Tan Hua Choon**

*Chairman*

Kuala Lumpur  
12 August, 2002



## PROFILE of Board of Directors

### **Tan Sri Dato' Tan Hua Choon** (61 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 38 years, which include manufacturing, marketing, banking, shipping, property development and trading.

He has also built-up investments in numerous public listed companies and is the Chairman of Jasa Kita Berhad, Keladi Maju Berhad, GPA Holdings Berhad, PDZ Holdings Bhd, FCW Holdings Berhad and Marco Holdings Berhad (formerly known as Khong Guan Holdings Malaysia Berhad).

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### **Lim Jian Hoo** (56 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 Institute 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.

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### **Thor Poh Seng** (42 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 University 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 Banker Berhad ("CIMB") with extensive experience in corporate finance and corporate planning. Prior to joining CIMB, he has held senior positions in operations and finance. 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 (formerly known as Khong Guan Holdings Malaysia Berhad).

## PROFILE OF BOARD OF DIRECTORS

**Ong Euwan George** (47 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 Guthrie Ropel Berhad and Hap Seng Consolidated Berhad.

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**Lee Yu-Jin** (35 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.

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**Yazween Binti Dato' Yahya** (27 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 has 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.

The attendance of Directors at Board Meetings of the Company held during the financial year is set out in page 11 of this Annual Report.

## CORPORATE Governance Statement

The Malaysian Code on Corporate Governance ("the Code") which sets out principles and Best Practices on structures and processes that public listed companies may use in their operations towards achieving the optimal governance framework, is aimed at providing guidelines for public listed companies to observe good corporate governance in their business practices.

The Board of Directors of Malaysia Aica Berhad recognise the importance of good corporate governance and affirms its policy of adhering to the spirit of the Code in ensuring high standards of corporate governance are practised throughout the Group to protect shareholders' value and to enhance the financial performance of the Group. The Board will continue to review and improve the governance framework and make the required enhancements where necessary from time to time.

The Board is pleased to report that as at 31 March, 2002, the Group has complied with the principles and best practices outlined in the Code. The Board had in May, 2002 engaged a consultancy firm on an outsource basis to provide comprehensive internal audit services to the Group. The compliance measures taken are explained below :

### A. THE BOARD

Malaysia Aica Berhad Group of Companies is led by a team of experienced people in the Board and Management who are professionals in the fields of manufacturing, trading, marketing, finance, accounting, corporate affairs and administration. The Directors together with the Management form a team with diverse skills and expertise to effectively discharge their responsibilities towards the Group's performance and business strategies.

During the financial year under review, two Board Meetings were held and were attended by most of the Directors.

The record of attendance for each Director is set out below :-

Existing Members	Status	Board Meetings Attended	% of Attendance
Tan Sri Dato' Tan Hua Choon	Non-Independent Non-Executive Director	2	100
Mr Lim Jian Hoo	Executive Director	2	100
Mr Thor Poh Seng	Executive Director	2	100
Mr Ong Euwan George	Non-Independent Non-Executive Director	2	100
Mr Lee Yu-Jin *	Independent Non-Executive Director	–	–
Cik Yazween Binti Dato' Yahya *	Independent Non-Executive Director	–	–

\* Mr Lee and Cik Yazween were both appointed on 25, March 2002, after the Board Meetings for the 2002 financial year were held.

Past Members	Status	Board Meetings Attended	% of Attendance
En Hamzah Bin Dato' Dr Mohd Salleh <i>(resigned on 15 December, 2001)</i>	Independent Non-Executive Director	2	100
Dato' Yahya Bin Hj Talib <i>(resigned on 25 March, 2002)</i>	Independent Non-Executive Director	–	–
En Pakh Ruddin Bin Sulaiman <i>(a Board member from 15 December, 2001 to 25 March, 2002, during which there was no Board Meeting held)</i>	Independent Non-Executive Director	–	–

## CORPORATE GOVERNANCE STATEMENT

The Board has delegated some of its functions to the Committees of the Board; namely Audit, Nomination and Remuneration Committees respectively. These Committees, operating under their respective clearly defined terms of reference, do not have executive powers but report to the Board on all matters considered and their recommendations thereon.

### a) Board Balance

During the financial year ended 31 March, 2002, there were changes to the composition of the Board which saw the exit of three Independent Non-Executive Directors and the entry of three new members, one of whom resigned during the financial year, filling the positions of Independent Non-Executive Directors. The revised composition of the Board is as follows :

- |   |  |
|---|--|
| • Tan Sri Dato' Tan Hua Choon               | Chairman, Non-Independent Non-Executive Director |
| • Mr Lim Jian Hoo                           | Executive Director                               |
| • Mr Thor Poh Seng                          | Executive Director                               |
| • Mr Ong Euwan George ( <i>MIA Member</i> ) | Non-Independent Non-Executive Director           |
| • Mr Lee Yu-Jin ( <i>MIA Member</i> )       | Independent Non-Executive Director               |
| • Cik Yazween Binti Dato' Yahya             | Independent Non-Executive Director               |

Announcements of the said changes have been made to the KLSE accordingly and the profile of each Board members is set out in pages 9 & 10 of this Annual Report.

There are clear division 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 Chairman is primarily responsible for the orderly conduct and working of the Board while the Executive Directors have the responsibility of communicating matters to the Board and to ensure major proposals of the management are thoroughly deliberated and examined to take into account the overall interests of the shareholders, customers, employees and the communities in which the Group conducts its business.

### b) Supply of Information

The Directors have timely access to all information pertaining to the Group as well as to the advice and services of the Company Secretary and independent professional advisers wherever necessary at the Company's expense.

Prior to each scheduled Board Meeting, all the Directors were provided with the agenda for the meeting and the relevant Board Papers to enable them have sufficient time to peruse the papers and if necessary, obtain further information or clarification from the Management. During Board meetings, the Board considered among other things, major operational and financial issues which include business strategies, operational policies and efficacies, product quality measures, acquisitions and disposals of material assets, investment policies and approval of financial statements.

### c) Appointments to the Board

A Nomination Committee comprising two Independent Non-Executive Directors and one Non-Independent Non-Executive Director was established on 25 March, 2002. Its responsibility is to propose new nominees for the Board wherever necessary and to assess Directors on an on-going basis. The appointments of new Directors are the responsibility of the full Board after considering the recommendations of the Nomination Committee. The members of the Nomination Committee are :-

- 1) Tan Sri Dato' Tan Hua Choon
- 2) Mr Lee Yu-Jin
- 3) Cik Yazween Binti Dato' Yahya

The Board via the Nomination Committee reviews annually its required mix of skills and experience and other qualities, including core competencies of the Non-Executive Directors.

## CORPORATE GOVERNANCE STATEMENT

### d) Directors' Training

In compliance with the KLSE LR, all existing members of the Board have completed the Mandatory Accreditation Programme conducted by Research Institute of Investment Analyst of Malaysia.

### e) Re-election of Directors

In accordance with the Company's Memorandum and Articles of Association, which have been amended pursuant to the KLSE LR, one-third of the Directors, or if their number is not a multiple of three, the number nearest to one-third with a minimum of one, shall retire from office at each Annual General Meeting and they may offer themselves for re-election.

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

### f) Directors' Remuneration

The Remuneration of Directors is determined at levels which enable the Group to attract and retain Directors with relevant experience and expertise needed to assist in managing the Group successfully. In the case of Executive Directors, the component parts of remuneration are structured to link rewards to operational and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive concerned.

The details of Directors' Remuneration payable to all the Directors of the Company during the financial year ended 31 March, 2002 are as follows :-

i) Aggregate remuneration of Directors categorized into the following components :

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
(a) Fees	20	38	58
(b) Salaries and other emoluments	288	-	288
(c) Bonuses	24	-	24
(d) E.P.F. (Employer's portion)	37	-	37
(e) Estimated value of benefits-in-kind	4	3	7
<b>Total</b>	<b>373</b>	<b>41</b>	<b>414</b>

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

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

Band (RM)	Executive Directors	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
<b>Total</b>	<b>2</b>	<b>4</b>	<b>6</b>

## CORPORATE GOVERNANCE STATEMENT

The Remuneration Committee was established on 25 March, 2002 and comprise wholly of Non-Executive Directors. Its main responsibility is to recommend to the Board the remuneration of the executive directors in all its forms, drawing from outside advice as necessary. The members of the Remuneration Committee are :-

- 1) Tan Sri Dato' Tan Hua Choon
- 2) Mr Lee Yu-Jin

The determination of remuneration packages of Non-Executive Directors together with Non-Executive Chairman are decided by the Board as a whole. Directors do not participate in decisions on their own remuneration packages.

### B. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of keeping the shareholders abreast of all major development and performance of the Group on a timely basis.

The Board observes timely release of announcements on major development and performance of the Group via the KLSE LINK, the press (where appropriate), Company's Annual Reports and other circulars to shareholders to ensure that the shareholders and investing public are kept informed of the Group's progress throughout the year.

The Annual General Meeting ("AGM") of the Company represents the principal forum for dialogue and interaction between the Board and the shareholders, during which the shareholders are given the opportunity to deliberate and seek clarification on the resolutions tabled as well as other matters arising thereat. Extraordinary General Meeting ("EGM") is held as and when shareholders' approvals are required on specific matters. Notices of AGM and EGM are distributed to shareholders within a reasonable and sufficient time frame. A press conference is normally held after each AGM or EGM of the Company.

The Board has appointed Mr Lee Yu-Jin as the Senior Independent Non-Executive Director of the Company to whom queries or concerns regarding the Company may be conveyed by shareholders or investors via fax no. 03-40436750 or by mail to the registered office of the Company.

### C. ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Audit Committee reviews the Group's quarterly results and annual financial statements to ensure correctness and adequacy. Thereafter, the said results and financial statements are presented to the Board, who is responsible for ensuring that the quarterly results and financial statements of the Group present a balanced and fair assessment of the Group's position and prospects. The results are released by the Secretary via KLSE LINK after the Board adopts them. The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out in page 50 of this Annual Report.

#### Internal Control

The Board acknowledges its ultimate responsibility of maintaining a sound system of internal control in the Company and the Group, covering controls relating to financial, operational, human resources, compliance and 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 is presented in page 20 of this Annual Report.

#### Relationship with Auditors

The role of the Audit Committee in relation to its relationship with the External Auditors is disclosed in the Audit Committee Report set out in pages 16 to 19 of this Annual Report.

## **DIRECTORS' Responsibility Statement**

In preparing the annual financial statements of the Company and the Group, the Directors acknowledge their responsibility in ensuring that the financial statements of the Company and the Group are drawn up in accordance with the applicable approved accounting standards of Malaysia 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, 2002.

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 take 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.

During the financial year under review, there were changes to the composition of the Maica Audit Committee as follows :

### COMPOSITION OF THE AUDIT COMMITTEE

Existing Members	Membership	Directorship
Mr Lee Yu-Jin <i>(appointed on 25 March, 2002)</i>	Chairman <i>(MIA Member)</i>	Independent Non-Executive Director
Mr Ong Euwan George <i>(appointed on 15 December, 2001)</i>	Member <i>(MIA Member)</i>	Non-Independent Non-Executive Director
Cik Yazween Binti Dato' Yahya <i>(appointed on 25 March, 2002)</i>	Member	Independent Non-Executive Director
Past Members	Membership	Directorship
En Pakh Ruddin Bin Sulaiman <i>(from 15 December, 2001 to 25 March, 2002)</i>	Chairman	Independent Non-Executive Director
Mr Thor Poh Seng <i>(resigned on 15 December, 2001)</i>	Member	Executive Director
En Hamzah Bin Dato' Dr Mohd Salleh <i>(resigned on 15 December, 2001)</i>	Member	Independent Non-Executive Director
Dato' Yahya Bin Hj Talib <i>(resigned on 25 March, 2002)</i>	Member	Independent Non-Executive Director

### TERMS OF REFERENCE

The Board of Directors had on 25 March, 2002 revised the terms of reference of the Audit Committee to incorporate the requirements of the revamped Listing Requirements.

The new terms of reference of the Committee are as follows :-

#### 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, 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 Listing Requirements.

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.



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### 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.

### 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 :-

1. To review the audit plan with the external auditors;
2. To review the audit report with the external auditors;
3. To review the assistance given by the Company's officers to the external auditors;
4. To review the quarterly results and year end financial statements of the Company and the Group, prior to the approval by the Board, focussing 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;
5. 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;
6. To review the adequacy of the scope, functions and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work;
7. To review any internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
8. To review any evaluation made on the systems of internal controls with the internal and external auditors;
9. To recommend to the Board of Directors the appointment of the external auditors and the level of their fees;
10. To review the letter of resignation from the external auditors, if any;

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11. To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointments; and
12. 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.

### MEETINGS OF THE AUDIT COMMITTEE

The members of the Maica Audit Committee met four times during the financial year ended 31 March, 2002 and the details of attendance of directors during their respective tenure as Audit Committee members were as follows :

Names of Members	No. of Meetings Attended by the directors during their respective tenure as Audit Committee members
Dato' Yahya Bin Hj Talib <i>(resigned on 25 March, 2002)</i>	2
Mr Thor Poh Seng <i>(resigned on 15 December, 2001)</i>	3
En Hamzah Bin Dato' Dr Mohd Salleh <i>(resigned on 15 December, 2001)</i>	3
Mr Ong Euwan George <sup>(a)</sup>	1
En Pakh Ruddin Bin Sulaiman <sup>(b)</sup>	–
Mr Lee Yu-Jin <sup>(c)</sup>	–
Cik Yazween Binti Dato' Yahya <sup>(c)</sup>	–

<sup>(a)</sup> Mr Ong was appointed on 15 December, 2001, after which only one Audit Committee Meeting for the 2002 financial year was held.

<sup>(b)</sup> En Pakh Ruddin was a member of the Audit Committee from 15 December, 2001 to 25 March, 2002 during which one Audit Committee Meeting was held.

<sup>(c)</sup> Mr Lee and Cik Yazween were both appointed on 25 March, 2002, after the Audit Committee Meetings for the 2002 financial year were held.

The Accounts Manager was present at all the above meetings. The external auditors attended one of the meetings on the invitation of the Audit Committee.

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

### Activities of the Committee

During the financial year ended 31 March, 2002, the activities carried out by the Audit Committee included, among others, the following :-

- a. Reviewed the unaudited quarterly reports on the consolidated results and financial statements prior to tabling of the same to the Board of Directors.
- b. Reviewed the external 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.

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- 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 impact of new accounting standards issued by the Malaysian Accounting Standards Board.
- h. Discussed with the Secretary, the impact of new provisions of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE"), in particular the guidelines to be complied by the Audit Committee within the timeframe stipulated therein.
- i. Discussed the status of the release of corporate guarantees given by the Company to local financial institutions in favour of two previous subsidiaries of the Company.
- j. Monitored the level of operations of the Group.
- k. Discussed and reviewed the latest development of the Group's investment in unquoted securities and made recommendation to the Board on the diminution / writing off of investment to better reflect the respective carrying value.
- l. Reviewed the level of inventories and the changes of costing policy for the wood-based division.
- m. Reviewed the Group's audit fees so as to commensurate with the volume of transactions for each division within the Group.
- n. Reviewed the new terms of reference for the Audit Committee which have been amplified to incorporate the relevant provisions of the KLSE Listing Requirements and made recommendation to the Board for adoption.

## INTERNAL AUDIT FUNCTION

The Board recognizes that a sound system of internal control is necessary in order to safeguard shareholders' investment and the Group's assets. To meet this responsibility, the Board has subsequent to the financial year end appointed a company specializing in internal audit consultancy services. This Company is independent of the activities they audit and is involved principally on the following :-

- Provide sufficient assurance of regular reviews and appraisal of the effectiveness of the system of internal controls and management information systems;
- Assist the Board to implement an effective risk management framework to identify the principal risks and ensure the implementation of appropriate systems to manage these risks;
- Carry out both financial and operational audit reviews in response to risks identified; and
- Ensure compliance with internal policies and procedures, applicable laws and regulations.

## INTERNAL Control Statement

### INTRODUCTION

The Kuala Lumpur Stock Exchange's ("KLSE") Revamped Listing Requirements require directors of listed companies to include a statement of the state of their internal controls in the annual reports. The KLSE's *Statement on Internal Control : Guidance for Directors of Public Listed Companies* provides guidance for compliance with these requirements.

### RESPONSIBILITY

The Board of Directors affirms its overall responsibility for the Group's systems of internal controls to safeguard shareholders' investment and the Group's assets, and for reviewing the adequacy and integrity of those systems. Whilst these systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, it should be noted that any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

### RISK MANAGEMENT FRAMEWORK AND KEY ELEMENTS OF INTERNAL CONTROL

- The Board has established an organization 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 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 and followed up by 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.

To meet its responsibilities in relation to internal control, the Board has, since May 2002, engaged the services of internal audit consultants on a retainer basis to assist the Board of Directors in identifying and evaluating significant risks affecting the Group's businesses and to obtain sufficient assurance of regular reviews and appraisals of the effectiveness of the systems of internal controls within the Group. Dormant subsidiaries of the Group, namely Suradamai Sdn Bhd, Ambang Arena Sdn Bhd, Maica (Shantou) Limited Company and associated companies are excluded from the regular reviews.

The audit consultants are independent of the activities they audit and they have direct reporting responsibility to the Audit Committee. The Committee will regularly review the adequacy and integrity of the Group's internal control systems after due and careful consideration based on the information and reports provided to it by the management and the audit consultants. The Board, on the advice of the Audit Committee, determines the remit of the internal audit function.

The Group, with the assistance of the audit consultants, is currently preparing a "group risk profile" which covers all significant risks and controls associated with its businesses. This risk map will be subjected to regular reviews in line with changes in its business environment, strategies and activities.

Overall, the existing system of internal control was 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 the internal control environment.

Statement is made in accordance with the resolution of the Board of Directors dated 17 July, 2002.