

## review of operations

**Taiga Forest Products Ltd** ("Taiga"), a company listed on the Toronto Stock Exchange, Canada, is the largest independent wholesale distributor of lumber, panel products, pressure-treated wood products and related building materials in Canada.

The financial year ended 31 March 2002 was the best performing year in Taiga's history. The company recorded sales of C\$854 million, an increase of 8% over the previous year's sales of C\$790 million. Net earnings rose to C\$6.2 million compared to C\$841,000 recorded in the previous year. The excellent financial results were propelled by robust housing and renovation markets in both Canada and the United States.

Between April 2001 to March 2002, interest rates in both countries fell to the lowest in four decades and as a result, spurred consumer investment in new housing and home repair projects, boosting the demand for building products as a whole. Due to this demand, our distribution centres, traders, buyers and administrative staff, stepped up the pace to ensure our customers were always fully stocked with the products they needed to service the housing and renovation boom.

Our strong financial results were also partially attributed to an upward price trend within the wood commodities market. As approximately 88% of Taiga's sales come from lumber and panel products, our profitability is closely tied to the price performance of these two building materials. With the rising commodity prices, the value of our standing inventory increased and our profitability improved.

A third factor in our increased earnings was the substantial decline in the year-over-year borrowing costs due to falling interest rates.

The company has also entered into agreement with Owens Corning, where Taiga has been named as the sole Canadian distributor of their "Celfort" rigid insulation. With the new, exclusive arrangement, we anticipate accelerate growth during the coming months as we advance our partnership with this key supplier.

Taiga's network of 15 full service distribution centres stretches across Canada from West Coast of British Columbia to Halifax, Nova Scotia enabled us to offer our customers "just-in-time" delivery service, while providing our suppliers with access to national markets.

In February 2002, for the second consecutive year, Taiga was named the "National Lumber and Panelboard Vendor of the Year" by the Canadian Retail Building Supply Dealers. It was a great honour to the company as it indicates that the customers value our services.

Moving forward, one of our major objectives is to find new opportunities and to develop new operating strategies within the USA market. We will continue to seek new ways to reduce operating costs to achieve better results on our bottom line. With 29 years in the wholesale distribution business and

## ulasan operasi

**Taiga Forest Products Ltd** ("Taiga"), syarikat yang tersenarai di Bursa Saham Toronto, Kanada ini merupakan pengedar borong bebas terbesar di Kanada untuk kayu gergaji, produk panel, produk kayu terawat tekanan dan bahan binaan yang berkaitan di Kanada.

Tahun kewangan berakhir 31 Mac 2002 adalah yang terbaik prestasinya dalam sejarah Taiga. Syarikat mencatatkan jualan sebanyak C\$854 juta, penambahan sebanyak 8% berbanding jualan bagi tahun sebelumnya sebanyak C\$790 juta. Pendapatan bersih meningkat kepada C\$6.2 juta berbanding C\$841,000 yang dicatatkan pada tahun sebelumnya. Keputusan kewangan yang cemerlang ini dihasilkan oleh pasaran perumahan dan pengubahsuaian yang memberangsangkan di Kanada dan Amerika Syarikat.

Antara April 2001 hingga Mac 2002, kadar faedah di kedua-dua negara jatuh ke tahap paling rendah dalam tempoh empat dekad dan ini menggalakkan pelaburan pengguna dalam projek pembinaan rumah baru dan pengubahsuaian rumah, sekali gus meningkatkan permintaan terhadap produk pembinaan secara amnya. Ekoran daripada permintaan ini, pusat pengedaran, peniaga, pembeli dan kakitangan pengurusan kita melipatgandakan usaha untuk memastikan pelanggan mendapat bekalan produk untuk memenuhi permintaan yang melambung dalam bidang pembinaan dan pengubahsuaian rumah.



Produk panel dan kayu gergaji dari Taiga

Keputusan kewangan kami yang baik juga sebahagiannya adalah akibat daripada aliran harga yang meningkat dalam pasaran komoditi kayu. Oleh sebab kira-kira 88% jualan Taiga datangnya daripada produk kayu gergaji dan panel, maka keuntungan kami berkait rapat dengan prestasi harga dua bahan binaan ini. Dengan peningkatan harga komoditi, maka nilai inventori yang ada dan keuntungan kami turut bertambah.

Faktor ketiga yang meningkatkan pendapatan kami ialah penurunan ketara kos pinjaman dari tahun ke tahun, ekoran turunnya kadar faedah.

Syarikat juga memeterai perjanjian dengan Owens Corning, yang telah menamakan Taiga sebagai pengedar tunggal Kanada bagi penebatan tegar "Celfort" yang dikeluarkan. Dengan penyusunan baru yang eksklusif ini, kami menjangkakan pertumbuhan yang pesat dalam beberapa bulan ini apabila kami meneruskan perkongsian dengan pembekal utama ini.

Rangkaian Taiga yang terdiri daripada 15 pusat pengedaran khidmat penuh merentasi seluruh Kanada dari Pantai Barat British Columbia ke Halifax, Nova Scotia membolehkan kami menawarkan khidmat penghantaran "sesempit masa"

## review of operations



Taiga Forest Products Ltd, Canada

strong focus on three key elements namely exceptional products, exceptional service and exceptional people, we foresee that our financial results will continue to be positive.

**Successline (M) Sdn Bhd** (previously known as MBJ Co-Loaders Sdn Bhd), a 60% owned subsidiary and its wholly owned subsidiary, **SecureXpress Services Sdn Bhd** ("SecureXpress") are involved in the provision of transportation services to all parts of Peninsular Malaysia and courier services to all areas in Malaysia, Singapore and other parts of the world.

During the year under review, the group recorded an increase in revenue of 24.5%. However, its profit before tax decreased by 26.1% mainly due to the group's aggressive expansion plans to increase its market share.

SecureXpress has 12 branches located in Johor Bahru, Kuala Lumpur, Malacca, Kuantan, Seremban, Port Klang, Penang, Kluang, Batu Pahat, Muar, Kajang and Alor Setar. In line with its expansion programme, the company increased its representative centres throughout the country to 82, an increase of 22 representative centres from last year.

In its quest to be one of the top domestic courier companies in the country, SecureXpress will continue to expand its operations and provide excellent service to its customers. To this end, the company shifted to a bigger and better premises in March 2002, upgraded its fleet of vehicles and increased its sales and customer service staff to cater to the increasing number of customers.

The company also plans to upgrade its computer system via the development of an E-Courier Management System, a system which allows customers to use the company's services on-line. With this new system in place, e-commerce companies will be able to order a delivery service from SecureXpress directly when their customers purchase products from their on-line stores. This system will also facilitate and improve operational efficiencies and open up avenues for the company to expand its market share and business opportunities.

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kepada pelanggan, sementara memberikan pembekal kami akses kepada pasaran nasional.

Pada Februari 2002, buat dua tahun berturut-turut, Taiga dinamakan "National Lumber and Panelboard Vendor of the Year" oleh Canadian Retail Building Supply Dealers. Ini merupakan satu penghormatan besar terhadap syarikat kerana ia menunjukkan pelanggan menghargai khidmat yang kami berikan.

Melangkah ke hadapan, salah satu daripada objektif utama kami ialah mencari peluang baru dan membangunkan strategi operasi baru dalam pasaran Amerika Syarikat. Kami akan terus mencari cara-cara baru untuk mengurangkan kos operasi demi mendapatkan keputusan yang lebih baik. Pengalaman selama 29 tahun dalam perniagaan mengedar secara borong dan tumpuan yang kukuh ke atas tiga unsur utama, iaitu produk, khidmat dan tenaga kerja yang terbaik, kami menjangkakan keputusan kewangan kami akan terus positif.

**Successline (M) Sdn Bhd** (dahulu dikenali sebagai MBJ Co-Loaders Sdn Bhd), subsidiari 60% milik syarikat dan subsidiari milik sepenuhnya, **SecureXpress Services Sdn Bhd** ("SecureXpress") terlibat dalam memberikan khidmat pengangkutan ke seluruh Semenanjung Malaysia dan khidmat kurier ke semua kawasan di Malaysia, Singapura dan tempat-tempat lain di dunia.

Sepanjang tahun di bawah kajian, kumpulan mencatatkan penambahan perolehan sebanyak 24.5%. Walau bagaimanapun, keuntungan sebelum cukai berkurangan sebanyak 26.1% terutamanya disebabkan oleh rancangan pengembangan Kumpulan yang agresif untuk membesarkan bahagian pasarannya.

SecureXpress mempunyai 12 cawangan yang terletak di Johor Baharu, Kuala Lumpur, Melaka, Kuantan, Seremban, Pelabuhan Kelang, Pulau Pinang, Kluang, Batu Pahat, Muar, Kajang dan Alor Star. Sejajar dengan program pengembangannya, syarikat menambahkan bilangan pusat perwakilannya di seluruh negara kepada 82 buah, bertambah sebanyak 22 buah semenjak tahun lepas.

Dalam usahanya untuk menjadi syarikat kurier tempatan yang paling terkemuka dalam negara, SecureXpress akan terus mengembangkan operasinya dan akan terus memberikan khidmat yang cemerlang kepada pelanggannya. Untuk tujuan ini, syarikat berpindah ke premis yang lebih besar dan lebih baik pada bulan Mac 2002, menaik taraf kumpulan kenderaannya, dan menambah bilangan kakitangan jualan dan khidmat pelanggan untuk memenuhi keperluan pelanggan yang semakin meningkat.

Syarikat juga merancang untuk menaikkan taraf sistem komputer dengan membangunkan Sistem Pengurusan E-Kurier, iaitu satu sistem yang membolehkan pelanggan menggunakan khidmat syarikat secara dalam talian. Apabila sistem baru ini siap, syarikat e-dagang boleh memesan khidmat penghantaran daripada SecureXpress secara terus apabila pelanggan mereka membeli produk daripada kedai

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**Convenience Shopping Sdn Bhd** operates a franchised chain of 24-hour convenience stores under the trademark, "7-Eleven" in Malaysia. Currently there are approximately 200 "7-Eleven" stores in the country serving approximately 150,000 customers a day. Each store has a selection of up to 2,900 different products including a variety of groceries, snacks to drinks and services and each store is tailored to meet the needs and preferences of local customers. Its proprietary items like *Slurpee* and *Big Gulp* are very popular among its customers.

For the financial year 2002, the company changed its financial year-end to 30 April 2002 from the previous financial year-end of 30 June 2001 to be co-terminus with the year-end of its holding company. The company's revenue for the 10-month period was



The interior view of a 7-Eleven store

6.2% lower as compared with the previous financial year. Period on period however, the company achieved a 14.5% increase in revenue, mainly due to the improved store image as a result of a country wide store remodeling of old stores and improved customer service.

Being the largest 24-hour convenience store in the country, the company plans to strengthen its market position further by pursuing an aggressive expansion programme to increase its network to create absolute market concentration and dominance.

To improve operational efficiency and effectiveness, the company plans to implement a point-of-sale system with scanning ability supported by the latest technological enhancements. This enables all transactions at the store level to be captured, scanned and transmitted to the head office.

Both the operational and business process will be reviewed and improved accordingly to achieve the industry best practices.

7-Eleven's proprietary items - *Slurpee* and *Big Gulp*

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dalam talian masing-masing. Sistem ini juga akan memudahkan dan meningkatkan kecekapan operasi dan membuka peluang baru kepada syarikat untuk membesarkan pasaran dan peluang perniagaan.

**Convenience Shopping Sdn. Bhd** menjalankan rangkaian kedai francais yang dibuka 24-jam di bawah tanda niaga "7-Eleven" di Malaysia. Pada masa ini, terdapat kira-kira 200 kedai "7-Eleven" di seluruh negara yang memberikan khidmat kepada kira-kira 150,000 pelanggan setiap hari. Setiap kedai mempunyai sehingga 2,900 produk pelbagai jenis, termasuklah pelbagai jenis barangan runcit, makanan hinggalah kepada minuman dan perkhidmatan dan setiap kedai direka bentuk untuk memenuhi cita rasa dan keperluan pelanggan tempatan. Produk proprietary seperti *Slurpee* dan *Big Gulp* amat popular di kalangan pelanggan.

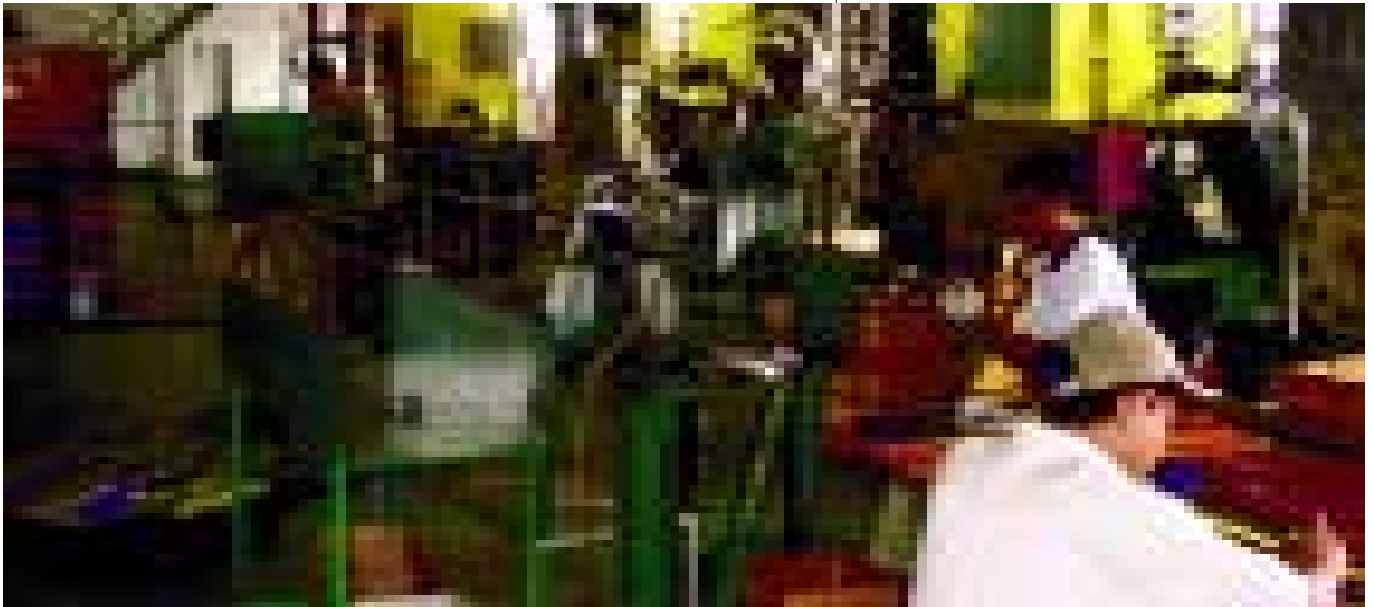
Bagi tahun kewangan 2002, syarikat menukar akhir tahun kewangannya kepada 30 April 2002 daripada akhir tahun kewangan sebelumnya iaitu 31 Jun 2001 supaya sejajar dengan akhir tahun kewangan syarikat pemegangannya. Perolehan syarikat bagi tempoh 10 bulan ialah 6.2% lebih rendah berbanding tahun kewangan sebelumnya. Walau bagaimanapun, bagi tempoh yang sama pada tahun-tahun yang berlainan itu, syarikat mencapai penambahan perolehan sebanyak 14.5%, terutamanya kerana imej kedai yang lebih baik ekoran kerja reka bentuk semula kedai lama di seluruh negara dan khidmat pelanggan yang dipertingkatkan.

Sebagai kedai 24-jam yang terbesar dalam negara ini, syarikat merancang untuk mengukuhkan lagi kedudukan pasarnya dengan meneruskan program pembesaran yang agresif bagi menambahkan rangkaian untuk mewujudkan satu-satunya kedai yang menjadi tumpuan dan menguasai pasaran.

Untuk meningkatkan kelancaran dan keberkesanan operasi, syarikat merancang untuk melaksanakan sistem mata jualan dengan keupayaan mengimbas (scanning) yang disokong oleh peningkatan teknologi terkini. Ini membolehkan semua urusan niaga di kedai dipantau, diimbas dan dihantar ke ibu pejabat. Proses operasi dan proses perniagaan akan dikaji dan diperkemaskan sewajarnya untuk mencapai amalan terbaik dalam industri.



Bahagian luar sebuah kedai 7-Eleven



*Operators working on the inner fin tube machine at Dunham-Bush factory in Kajang, Malaysia*

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# *ulasan operasi industri*

*Hyundai Trajet*

*Hyundai Matrix*



## review of operations

### DUNHAM-BUSH (MALAYSIA) BHD

For the financial year ended 30 April 2002, the group recorded a lower revenue of RM409.3 million compared to RM489.5 million achieved in the previous year and a loss before taxation of RM62.5 million compared to RM12.8 million loss in the previous financial year.

The lower revenue was mainly due to the lower sales registered by the Malaysian and USA operations. The disproportionate higher loss before taxation was mainly due to the exceptional losses and costs incurred in the closure of the group's chiller manufacturing facilities in Harrisonburg, Virginia, USA and losses from the Monterrey factory in Mexico. The decision for the closure of the Harrisonburg chiller manufacturing facilities was prompted by the tragic event of 11 September 2001 in the USA and the continuing slow down in the USA economy.

The adverse economic environment of the world had affected the performance of our Malaysian operations. Export was lower at RM58.9 million compared to RM66.3 million achieved for the previous financial year. Nevertheless, products from the Malaysian operations continued to maintain its market position in its existing markets in the ASEAN countries (including Taiwan and Vietnam), continental European countries, East European countries, India, Pakistan, Sri Lanka, Bangladesh, Japan, Russia, the former states of Soviet Union, Africa, South Africa, Middle-East countries, Mexico, Central America and Latin American countries. With the closure of the chiller production line in Dunham-Bush Inc, USA, the Malaysian operations will assume the task of meeting the demand for chillers and other related products in the USA market.

The closure of the chiller manufacturing facilities in Harrisonburg, Virginia had resulted in a substantial decline in revenue. The decline in revenue coupled with high closure costs and weak economic fundamentals in the USA had resulted in an exceptional loss of approximately RM40.7 million. Despite the closure of its factory, Dunham-Bush Inc will continue with its after sale services, warranty and parts activities as well as the marketing of chillers and related air-conditioning products manufactured by the factories in Malaysia and Mexico. Dunham-Bush Inc, USA continues to maintain a team of experienced engineers to undertake and coordinate research and development activities with Dunham-Bush Industries Sdn Bhd, Malaysia and to provide engineering and technical support to the sales team and manufacturing representatives in the USA.

The rotary screw compressors manufacturing operations under Hartford Compressors Inc in Connecticut, USA, remained unaffected by the closure of the chiller operations in Harrisonburg, USA. The performance of the Hartford factory met the targets set for the year ended 30 April 2002 in spite of the weak market conditions in USA as approximately 70% of its compressors were exported to Dunham-Bush Industries Sdn Bhd in Malaysia and Dunham-Bush Yantai Co Ltd in China.

Dunham-Bush Industries de Mexico SA de CV, the newly set-up manufacturing plant in Mexico has completed its second year of operations in manufacturing air-handling products

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### DUNHAM-BUSH (MALAYSIA) BHD

*Bagi tahun kewangan berakhir 30 April 2002, kumpulan mencatat perolehan yang lebih rendah, iaitu sebanyak RM409.3 juta berbanding RM489.5 juta yang diperolehi pada tahun sebelumnya dan kerugian sebelum cukai sebanyak RM62.5 juta berbanding kerugian sebanyak RM12.8 juta pada tahun kewangan sebelumnya.*

*Perolehan yang lebih rendah adalah kerana hasil jualan yang lebih rendah yang dicatatkan oleh operasi di Malaysia dan di Amerika Syarikat. Kerugian sebelum cukai yang lebih tinggi dan tidak seimbang berpunca daripada kos luar biasa yang ditanggung ekoran penutupan kilang penyejuk di Harrisonburg, Virginia, Amerika Syarikat dan kerugian yang ditanggung oleh kilang Monterrey di Mexico. Keputusan untuk menutup kilang penyejuk di Harrisonburg dibuat ekoran tragedi 11 September 2001 di Amerika Syarikat dan kelembapan ekonomi yang berterusan di negara itu.*

*Persekitaran ekonomi dunia yang lembab memberi kesan ke atas prestasi operasi di Malaysia. Eksport adalah lebih rendah pada RM58.9 juta berbanding RM66.3 juta yang dicapai pada tahun kewangan sebelumnya. Walau bagaimanapun, produk daripada operasi di Malaysia terus mengekalkan kedudukannya di dalam pasaran yang sedia ada di negara-negara ASEAN (termasuk Taiwan dan Vietnam), negara-negara Eropah, negara-negara Eropah Timur, India, Pakistan, Sri Lanka, Bangladesh, Jepun, Rusia, negeri-negeri yang dahulunya membentuk Soviet Union, Afrika, Afrika Selatan, negara-negara Timur Tengah, Mexico, negara-negara Amerika Tengah dan Amerika Latin. Penutupan kilang pengeluaran penyejuk di Dunham-Bush Inc, Amerika Syarikat memindahkan tanggungjawab memenuhi permintaan pasaran Amerika Syarikat ke atas penyejuk dan produk-produk lain yang berkaitan ke operasinya di Malaysia.*

*Penutupan kilang penyejuk di Harrisonburg, Virginia mengakibatkan pengurangan perolehan dengan agak banyak. Pengurangan perolehan ini ditambah pula dengan kos penutupan yang tinggi dan keadaan pasaran yang lemah di Amerika Syarikat mengakibatkan kerugian luar biasa berjumlah kira-kira RM40.7 juta. Walaupun kilang ini ditutup, Dunham-Bush Inc akan meneruskan perkhidmatan selepas jualan, jaminan dan alat ganti dan juga akan memasarkan penyejuk dan produk pendingin hawa yang berkaitan yang dikeluarkan oleh kilang di Malaysia dan di Mexico. Dunham-Bush Inc akan terus mengekalkan sepasukan jurutera berpengalaman untuk menjalankan dan menyelaraskan kegiatan penyelidikan dan pembangunan dengan Dunham-Bush Industries Sdn Bhd di Malaysia dan terus memberi sokongan teknikal kepada pasukan jualan dan wakil pengilangan di Amerika Syarikat.*

*Operasi pengilangan pemampat skru berputar di bawah Hartford Compressors Inc, Hartford, Connecticut, Amerika Syarikat, kekal tanpa mengalami kesan oleh penutupan operasi penyejuk di Harrisonburg. Prestasi kilang Hartford memenuhi sasaran yang dibuat bagi tahun berakhir 30 April 2002 walaupun keadaan pasaran yang lemah di Amerika Syarikat. Ini adalah kerana kira-kira 70% daripada pemampat*

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*Assembly of a water-cooled vertical rotary screw flooded chiller, model WCFX at Dunham-Bush factory in Kajang, Malaysia*

primarily for the USA market. However, the production of heating products had been suspended due to various teething problems.

In order to remain viable and to minimize its dependency on the USA market for the sales of air-handling units, it is necessary for the Mexico manufacturing operations to expand its product range to include small capacity chiller range up to 200 refrigeration tons, split

and packaged air-conditioners, and fancoil and condensing units which are mainly catered for the local Mexican and central American markets, and some to the USA market. To achieve this, the management is actively seeking interested parties in Mexico for possible joint-ventures for the purpose of increasing equity capital of the company and for the local management's expertise to deal with the day to day operational matters.

As the air-handling units produced by the Mexico factory complements the chillers formerly produced by Dunham-Bush Inc, the closure of the chiller manufacturing facilities in Harrisonburg during the year under review had adversely affected the performance of the Mexico subsidiary which depended heavily on the USA market.

The results of the UK operations for the financial year ended 30 April 2002 had included a contribution from the revaluation of the factory land of RM2.13 million. After exclusion of this non-operating revenue in compliance with the Malaysian Accounting Standards, the UK operations suffered a loss before taxation of RM1.97 million for the year under review compared to a loss before tax of RM2.43 million for the financial year ended 30 April 2001. The market conditions in UK during the financial year ended 30 April 2002 remained tough. However, with a lean and efficient management team in the UK operations and the implementation of various cost control measures, the company is expected to yield better performance in the coming year.

In spite of the weak global economy, our 55% owned subsidiary in China, Dunham-Bush Yantai Co Ltd continued to achieve growth in profits with a profit before tax of RM8.55 million for the year under review compared to RM7.82 million recorded in the previous financial year. During the financial year under review, the Malaysian operations successfully signed a technology license agreement to transfer its technology on packaged unitary products to Dunham-Bush Yantai Co Ltd. The introduction of this additional product line in the China operations is expected to greatly improve the performance of the company in the future.

The setting up of the new rotary screw compressor manufacturing factory, Hartford Yantai, in Shangdon Province has progressed according to schedule but has yet to commence operations. Barring unforeseen circumstances,

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yang dikeluarkannya telah dieksport ke Dunham-Bush Industries Sdn Bhd di Malaysia dan Dunham-Bush Yantai Co Ltd di negara China.

Kilang baru di Mexico, Dunham-Bush Industries de Mexico SA de CV, telah memasuki tahun kedua operasi dalam pengilangan produk pengedalian udara khusus untuk pasaran di Amerika Syarikat. Walau bagaimanapun, pengeluaran produk pemanas digantung buat sementara waktu kerana beberapa masalah.

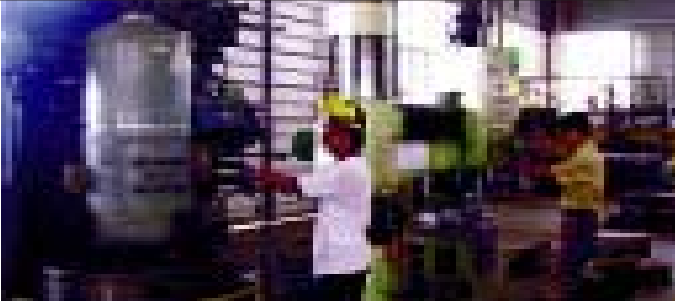
Untuk kekal berdaya saing dan mengurangkan pergantungan terhadap pasaran Amerika Syarikat untuk jualan unit pengendalian udara adalah mustahak bagi operasi pengilangan di Mexico mempelbagaikan produknya untuk meliputi juga penyejuk berkapasiti kecil berukuran sehingga 200 tan penyejukan, pendingin hawa unit pisah dan pakej, unit gegulung kipas dan unit penyejat. Produk-produk ini khususnya adalah untuk pasaran tempatan Mexico dan Amerika Tengah, dengan sebahagiannya adalah untuk pasaran Amerika Syarikat. Untuk memenuhi hasrat ini, pihak pengurusan secara aktif mencari pihak yang berminat di Mexico untuk usahasama bagi menambah modal ekuiti syarikat dan untuk kepakaran pengurusan tempatan yang boleh menangani hal-hal operasi harian.

Oleh kerana unit pengendalian udara yang dikeluarkan oleh kilang di Mexico melengkapkan penyejuk yang dulunya dikeluarkan oleh Dunham-Bush Inc, maka penutupan kilang penyejuk di Harrisonburg pada tahun yang ditinjau telah memberi kesan buruk terhadap prestasi subsidiari di Mexico yang banyak bergantung pada pasaran Amerika Syarikat.

Keputusan operasi di United Kingdom bagi tahun kewangan berakhir 30 April 2002 adalah termasuk sumbangan daripada penilaian semula tapak kilang bernilai RM2.13 juta. Selepas ditolak perolehan bukan-operasi selaras dengan Piawaian Perakaunan Malaysia, operasi di United Kingdom mengalami kerugian sebelum cukai sebanyak RM1.97 juta bagi tahun di bawah kajian berbanding dengan kerugian sebelum cukai sebanyak RM2.43 juta pada tahun kewangan berakhir 30 April 2001. Keadaan pasaran di United Kingdom sepanjang tahun kewangan berakhir 30 April 2002 adalah sukar. Walau bagaimanapun, dengan pasukan pengurusan yang kecil dan cekap di dalam operasi di United Kingdom dan dengan pelaksanaan beberapa langkah kawalan kos, dijangkakan bahawa syarikat akan menghasilkan prestasi yang lebih baik pada tahun akan datang.

Di sebalik ekonomi dunia yang lemah, subsidiari milik 55% syarikat di negara China, Dunham-Bush Yantai Co Ltd terus mencapai pertumbuhan keuntungan sebelum cukai sebanyak RM8.55 juta bagi tahun di bawah kajian berbanding RM7.82 juta yang dicatatkan pada tahun kewangan sebelumnya. Bagi tahun kewangan dibawah kajian, operasi di Malaysia berjaya memeterai perjanjian lesen teknologi untuk memindahkan teknologi barangan unit berpakej ke Dunham-Bush Yantai Co Ltd. Pengenalan produk tambahan ke operasi di negara China dijangka akan meningkatkan prestasi syarikat pada masa akan datang.

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CNC milling and vertical cutting machines in operation at the Dunham-Bush factory in Kajang, Malaysia

trial production consisting mainly of the assembly and testing operations, with major components imported from Harford Compressors Inc, USA, is expected to commence in December 2002.

Upon the successful production of rotary screw compressors in the near future, the group is confident that the China subsidiaries will continue to grow steadily by expanding its market share and improving its profitability.

The year ahead remain a great challenge on the home front. In spite of the gradual recovery of the Malaysian economy, the construction sector where the group's products are mainly sold to, remains weak. On the international front, the gradual recovery of the world economy and the economies in Europe, coupled with the weakening US currency vis-à-vis other major currencies, will provide opportunities for the group's international subsidiaries to compete aggressively. Leveraging on its wide global network and given that the restructuring exercise of its USA operations is substantially completed, the group is cautiously optimistic of the performance in the current financial year.



Wooden deck by Finewood Forest Products

For the financial year ended 30 April 2002, **Finewood Forest Products Sdn Bhd** ("Finewood") registered a 49% decrease in revenue mainly due to a slowdown in the global economic condition and 911. Sales, mainly to the USA, dropped tremendously after 911 and the decrease in revenue was also due to the loss of substantial market share in lattices and garden products in Japan as a result of cheaper products from China. Finewood's

flooring and moulding sales to Germany and Holland were also affected due to competitive pricing from Indonesia and the African countries.

Looking forward, Finewood will continue to focus on expanding its range of flooring and moulding products mainly to the United Kingdom and the European countries. The company will further penetrate this market through FM (UK), a 70% owned subsidiary, which distributes Finewood's products. The company will also continue to expand its flooring and moulding products to other countries including Canada, Italy and Japan, whilst, aggressively marketing its garden products.

## ulasan operasi

Pembinaan kilang baru untuk mengeluarkan pemampat skru berputar di Wilayah Shangdon, iaitu Hartford Yantai, berjalan mengikut jadual tetapi masih belum memulakan operasi. Jika tiada aral melintang, pengeluaran percubaan yang terhad kepada kendalian pemasangan dan operasi pengujian, dengan komponen utama diimport daripada Hartford Compressor Inc, Amerika Syarikat, dijangka akan bermula Disember 2002.

Apabila pengeluaran pemampat skru berputar bermula tidak lama lagi, kumpulan yakin bahawa syarikat-syarikat subsidiari di negara China akan terus maju dengan menambahkan bahagian pasarnya dan meningkatkan keuntungannya.

Tahun akan datang merupakan cabaran yang amat besar. Walaupun ekonomi Malaysia semakin pulih, sektor pembinaan yang merupakan pasaran terbesar bagi produk keluaran syarikat masih lemah. Di peringkat antarabangsa, ekonomi dunia dan ekonomi negara-negara Eropah yang semakin pulih, bersama-sama mata wang Amerika Syarikat yang semakin lemah berbanding mata wang utama lain, membuka peluang kepada subsidiari-subsidiari antarabangsa milik syarikat untuk bersaing secara agresif. Melalui pergantungan kepada jaringan global yang luas dan dengan selesainya proses penyusunan semula operasi di Amerika Syarikat, kumpulan secara berhemat optimis dengan prestasi kumpulan bagi tahun kewangan semasa.

Bagi tahun kewangan berakhir 30 April 2002, **Finewood Forest Products Sdn Bhd** ("Finewood") mencatatkan penurunan perolehan sebanyak 49%, terutamanya berpunca daripada kelembapan ekonomi dunia dan peristiwa 911 di Amerika Syarikat. Jualan, terutama kepada Amerika Syarikat, merosot dengan teruknya selepas 911. Kerosotan perolehan juga disebabkan oleh kehilangan bahagian pasaran yang besar dalam kekisi dan produk laman di Jepun akibat produk yang lebih murah dari negara China. Jualan bahan lantai dan acuan kayu ke negara Jerman dan Holland turut terjejas, akibat persaingan harga daripada Indonesia dan negara-negara Afrika.

Pada masa hadapan, Finewood akan terus memberi tumpuan kepada mengembangkan produk lantai dan acuan kayu untuk eksport, terutamanya ke United Kingdom dan negara Eropah. Syarikat akan terus menembusi pasaran ini melalui FM (UK), subsidiari 70% milik syarikat, yang mengedar produk Finewood. Syarikat juga akan terus memperluaskan pasaran produk lantai dan acuan kayu ke negara lain termasuk Kanada, Itali dan Jepun, di samping memasarkan secara agresif produk laman.

Bahagian Tekstil Kumpulan terdiri daripada operasi memintal benang oleh **Berjaya Soutex Sdn Bhd**, operasi membuat fabrik bertenun oleh **Berjaya Knitex Sdn Bhd** dan operasi membuat pakaian oleh **Berjaya Bandartex Sdn Bhd**.

Bagi tahun kewangan di bawah kajian, Bahagian Tekstil menghadapi persekitaran perniagaan yang sukar dengan ketiga-tiga sektor industri itu terjejas oleh kelembapan ekonomi Amerika Syarikat, terutama selepas 911. Ini mengakibatkan permintaan yang lemah terhadap produk

## review of operations

The Group's textile Division comprised of yarn spinning operations under **Berjaya Soutex Sdn Bhd**, knitted fabric making operations under **Berjaya Knitex Sdn Bhd** and garment making operations under **Berjaya Bandartex Sdn Bhd**.



*Spinning process at Berjaya Soutex*

For the financial year under review, the Textile Division faced a difficult trading environment where all the three sectors of the industry were affected by the slowdown in the USA economy particularly after the 911. This resulted in weak demand for textile products both overseas and locally. The spinning sector faced intense

competition from yarn originating countries such as India and Pakistan, which were dumping their products in the market. This caused a drop in both revenue and margin for Berjaya Soutex Sdn Bhd as yarn prices came down at a faster rate than cotton prices. The garment-making sector was also faced with stiff competition from the newly developed apparel exporters in countries like China, Vietnam and Africa.

For the financial year under review, Berjaya Knitex Sdn Bhd, Berjaya Soutex Sdn Bhd and Berjaya Bandartex Sdn Bhd all registered declines in revenue as compared with the previous year due to depressed selling prices caused by stiff competition, weak demand in the European market and uncertainty in market demand due to the global economic slowdown.

Berjaya Knitex Sdn Bhd invested RM3.56 million in new machineries during the year to further upgrade its output and services. Although there was an improvement in market demand for yarn in the last quarter, we foresee that the current year will be difficult and the local demand is still very much affected by the low cost producers in the overseas market. Berjaya Bandartex will continue with its efforts in prospecting new, direct and quality buyers to widen its customer base. The emphasis is on speciality garments such as sportswear, which command better prices due to their sophistication and stringent quality requirement. Quality demand for sportswear is high and requires detail and extensive development works with quick response. Our track record and experiences, complemented by our vertical set up and a resourceful procuring department have put us in a strong position to take these challenges.

The Textile Division foresees the demand for textile products to remain weak and any improvement in sales in the current year will be dependent on the state of the USA economy.

**Hyundai-Berjaya Sdn Bhd**, another subsidiary company, is principally engaged in sales and distribution of Hyundai vehicles comprising of Completely Built Up (CBU) and Completely Knocked Down (CKD) models. For the financial year under review, the company registered a revenue and

## ulasan operasi

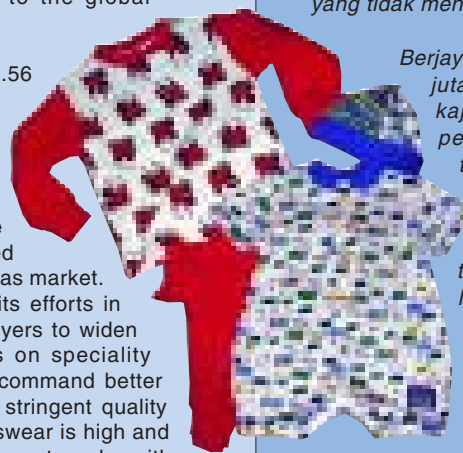


*Berjaya Knitex - Proses tenunan*

tekstil sama ada di luar mahupun di dalam negara. Sektor pintal menghadapi persaingan sengit daripada negara asal benang seperti India dan Pakistan, yang melambakkan produk mereka di pasaran. Ini menyebabkan merosotnya perolehan dan margin Berjaya Soutex Sdn Bhd kerana harga benang turun lebih cepat daripada harga kapas. Sektor membuat pakaian juga menghadapi persaingan sengit daripada negara baru pengeksport pakaian seperti China, Vietnam dan Afrika.

Bagi tahun kewangan di bawah kajian, Berjaya Knitex Sdn Bhd, Berjaya Soutex Sdn Bhd dan Berjaya Bandartex Sdn Bhd mencatatkan kemerosotan perolehan berbanding perolehan tahun sebelumnya, disebabkan oleh tekanan harga jualan akibat persaingan yang hebat, permintaan yang lemah daripada pasaran Eropah dan permintaan pasaran yang tidak menentu akibat kelembapan ekonomi dunia.

Berjaya Knitex Sdn Bhd melabur sebanyak RM3.56 juta untuk mesin baru pada tahun di bawah kajian dalam usahanya untuk meningkatkan pengeluaran dan perkhidmatan. Walaupun terdapat penambahan permintaan pasaran terhadap benang pada suku terakhir, kami menjangka bahawa tahun semasa adalah sukar dan permintaan dalam negeri masih terjejas oleh pengeluar kos rendah di pasaran luar negara. Berjaya Bandartex akan meneruskan usahanya mencari pembeli baru yang berkualiti, secara terus untuk meluaskan asas pelanggannya. Penekanan adalah terhadap pakaian khusus, seperti pakaian sukan yang memperolehi harga lebih baik kerana kecanggihan dan keperluan kualiti yang lebih ketat. Pakaian sukan berkehendakkan kualiti yang tinggi dan memerlukan usaha pembangunan yang rapi dan meluas dengan tindak balas segera. Rekod prestasi dan pengalaman kami, ditambah pula dengan susunan vertikal dan jabatan pemerolehan yang cekap telah meletakkan kami pada kedudukan yang kukuh untuk menghadapi cabaran ini.



*Produk tekstil keluaran Berjaya Bandartex*

Bahagian Tekstil menjangka permintaan terhadap produk tekstil terus lemah dan sebarang pbaikan dari segi jualan tahun semasa banyak bergantung kepada keadaan ekonomi Amerika Syarikat.



## review of operations

profit before tax of RM160.20 million and RM11.44 million, an increase of 91% and 68% as compared to the previous year of RM84.09 million and RM6.81 million respectively. The increase in revenue and profit before tax were due to the continuous market penetration of Hyundai in the domestic automobile industry, aggressive marketing and promotion campaign and the introduction of a complete range of vehicles that cater to the entire market.

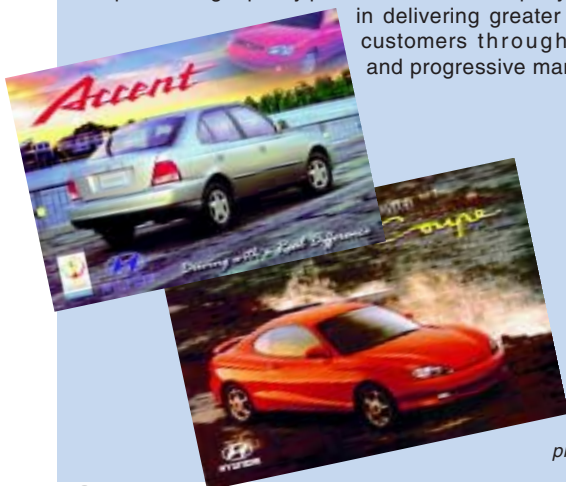
The CBU models of Hyundai consist of a complete product assortment to cater to the entire market in the local automotive industry. The fulfillment of all customers' needs ranging from economical to luxurious resemblance, and family to sport utilization enables Hyundai to achieve a competitive advantage in out-performing its competitors. Among the models of Hyundai vehicles include Hyundai XG, Santa Fe, Sonata, Trajet, Elantra, Accent, Atos, GK Coupe and Matrix.

The company has taken a major step to venture into the local assembly automotive market in preparing for the Asean Free Trade Area (AFTA) operation. The first Hyundai CKD car has gained its first facade in Malaysia on 23 April 2001. The inception of Elantra 1.8 CKD launched on 23 August 2001 increased sales volume by a further 50% for the financial year under review. The extensive local market demand for Elantra CKD has achieved a firm competitive advantage with its value for money international quality standard. The demand exceeding supply market condition for *Elantra* has resulted in the venture of local assembling for *EF Sonata*, which is saleable in Malaysia.

In conjunction with the successful market penetration of Hyundai in Malaysia through both CBU and CKD vehicles, the company continued its progressive efforts to obtain national status through the local assembly of *Atos*. The *Atos* is positioned as a fully imported 1000cc MFV with a 1300 cc like performance. A competitive pricing strategy with national vehicle status represents the immediate benefit derived from assembling the *Atos* locally.

With the growing distribution network, Hyundai vehicles are distributed through 60 company-owned branches and authorized dealers, strategically located throughout the country. Hyundai has improved its popularity extensively in the domestic market via effective distribution channels and reputable high quality products and the company is confident

in delivering greater value to its customers through a prudent and progressive management.



Hyundai's car promotional leaflets

## ulasan operasi

*Hyundai-Berjaya Sdn Bhd*, satu lagi syarikat subsidiari yang menjual dan mengedar kenderaan Hyundai model "Completely Built Up" (CBU) dan model "Completely Knocked Down" (CKD). Bagi tahun kewangan di bawah kajian, syarikat mencatatkan perolehan sebanyak RM160.20 juta, meningkat sebanyak 91% berbanding perolehan sebanyak RM84.09 juta pada tahun sebelumnya. Keuntungan sebelum cukai juga meningkat kepada RM11.44 juta berbanding RM6.81 juta pada tahun sebelumnya, iaitu pertambahan sebanyak 68%. Peningkatan perolehan dan keuntungan sebelum cukai disebabkan oleh pasaran kereta Hyundai yang menembusi pasaran kereta tempatan secara berterusan, pemasaran agresif dan kempen untuk mempromosi dan memperkenalkan pelbagai model kenderaan yang memenuhi cita rasa pasaran.

Model Hyundai CBU terdiri daripada pelbagai jenis produk yang dapat memenuhi seluruh pasaran dalam industri automotif tempatan. Menepati citarasa pelanggan dalam aspek penjimatan hinggalah kepada yang berupa kemewahan, daripada keperluan keluarga sehinggalah kepada penggunaan lasak, telah membolehkan Hyundai mencapai kelebihan bersaing yang mengatasi para pesaingnya. Antara model kereta Hyundai termasuklah Hyundai XG, Santa Fe, Sonata, Trajet, Elantra, Accent, Atos, GK Coupe dan Matrix.

Syarikat telah mengambil langkah penting dengan menceburi pasaran pemasangan automotif tempatan dalam persediaannya menghadapi Asean Free Trade Area (AFTA). Kereta CKD Hyundai buat pertama kalinya diperkenalkan di Malaysia pada 23 April 2001. Elantra 1.8 CKD yang dilancarkan pada 23 Ogos 2001 telah meningkatkan jumlah jualan sebanyak 50% lagi bagi tahun kewangan di bawah kajian. Permintaan pasaran tempatan yang meluas terhadap Elantra CKD telah membantunya mencapai kelebihan bersaing yang teguh, sesuai dengan nilai wangnya yang menepati piawaian kualiti antarabangsa. Keadaan pasaran dengan permintaan melebihi penawaran bagi Elantra menyebabkan satu lagi usaha pemasangan tempatan diceburi untuk *EF Sonata*, yang sememang laris di Malaysia.

Sempena kejayaan Hyundai menembusi pasaran di Malaysia melalui kenderaan CBU dan CKD, syarikat meneruskan usaha untuk memperolehi status kebangsaan melalui pemasangan *Atos* secara tempatan. *Atos* dikelaskan sebagai model import sepenuhnya yang berkuasa 1000 cc MFV dengan prestasi seperti kenderaan 1300 cc. Strategi peletakan harga yang kompetitif dengan status kereta kebangsaan akan memberikan *Atos* faedah segera dengan pemasangan kereta secara tempatan.

Dengan rangkaian pengedaran yang semakin bertambah, kenderaan Hyundai diedarkan ke 60 buah cawangan milik syarikat dan wakil pengedar, yang terletak di kawasan strategik di seluruh negara. Hyundai telah meningkatkan popularitinya secara meluas dalam pasaran tempatan melalui saluran pengedaran yang berkesan dan produk bermutu tinggi yang diyakini dan syarikat yakin dapat memberikan nilai yang lebih tinggi kepada pelanggannya melalui pengurusan berhemah dan progresif.

## social responsibility

The Group continued to play its role as a caring and responsible corporate citizen by contributing generously towards various community service and public relations programmes. The poor, old and needy including underprivileged children have benefited from our various donations and sponsorship programmes.

Sports Toto Malaysia alone contributed approximately RM60 million to the National Sports Council and for the promotion of sports and charitable activities. Charitable organisations such as 'The Hope Foundation', "Sri Sathya Sai Central Council Malaysia", "PEMADAM", St. John Ambulance Malaysia", "Majlis Kebajikan kanak Kanak Malaysia". "Pediatrics AIDS Fund", "Nanyang Wushu Federation of Sarawak", "Kiwanis Club of Kuala Lumpur" and "Tabung Bantuan Pelarian Afghanistan" have benefited from the company's donations.

Under Sports Toto's "Giving Something Back To Society" charity program, the company organised its fourteenth Chinese New Year Ang Pow donation drive. More than 14,000 needy senior citizens of various races throughout the country received New Year gifts and cash contributions from Sports Toto.

Financial assistance was also extended to the needy for medical treatments. They include cancer patients, children suffering from Thalassaemia and children suffering from hole-in-heart condition who received financial assistance for undergoing urgent medical surgery to save their lives.

In the field of sports, the Group diligently sponsored numerous sporting events which promote a healthy lifestyle. The major events were the Ipoh International Run, PJ Half Marathon, Penang Bridge Run, 15<sup>th</sup> World Tenpin Bowling Championship and Malay Mail Big Walk.

In community services, the Group contributed generously towards the establishment of the Asian Institute of Medicine, Science and Technology, and provision of wheelchairs for the less fortunate.

## tanggungjawab sosial

Kumpulan terus memainkan peranannya sebagai warga korporat yang prihatin dan bertanggungjawab dengan memberikan banyak sumbangan kepada program-program khidmat masyarakat dan perhubungan awam. Fakir miskin, orang-orang tua dan mereka yang memerlukan termasuk kanak-kanak kurang bernasib baik telah mendapat banyak manfaat daripada pelbagai program derma bakti dan tajaan kami.

Sports Toto Malaysia telah menyumbang kira-kira RM60 juta kepada Majlis Sukan Negara dan juga untuk promosi serta tajaan aktiviti-aktiviti kebajikan dan sukan. Badan-badan kebajikan seperti Yayasan Hope, Majlis Pusat Sri Sathya Sai Malaysia, PEMADAM, Persatuan St. John Ambulans Malaysia, Majlis Kebajikan Kanak-kanak Malaysia, Dana AIDS Pediatrik, Persekutuan Wushu Nanyang Sarawak, Kelab Kiwanis Kuala Lumpur dan Tabung Bantuan Pelarian Afganistan yang mendapat manfaat daripada derma yang dihulurkan oleh syarikat.

Di bawah program amal "Memberi Balik Sesuatu Kepada Masyarakat", Sports Toto menganjurkan kempen derma Ang Pow Tahun Baru Cina keempat belas. Lebih 14,000 warga tua dari pelbagai bangsa yang memerlukan bantuan di seluruh negara telah menerima hadiah dan sumbangan wang tunai Tahun Baru daripada Sports Toto.

Bantuan kewangan juga dihulurkan kepada mereka yang memerlukan bantuan perubatan. Mereka termasuklah pesakit kanser (barah), kanak-kanak yang menderita Thalassaemia dan kanak-kanak yang sakit jantung berlubang yang menerima bantuan kewangan untuk menjalani pembedahan perubatan segera bagi menyelamatkan nyawa mereka.

Dalam bidang sukan, Kumpulan dengan gigihnya menaja pelbagai acara sukan untuk memupuk gaya hidup sihat. Acara-acara utama ialah Larian Antarabangsa Ipoh, Separuh Maraton PJ, Larian Jambatan Pulau Pinang, Kejohanan Boling Tenpin Dunia ke-15 dan Lumba Jalan Kaki Malay Mail.

Dalam bidang khidmat masyarakat, Kumpulan dengan murah hati menyumbang ke arah penubuhan Institut Perubatan, Sains dan Teknologi Asia, dan membekalkan kerusi roda kepada mereka yang kurang bernasib baik.

# social responsibility



YB Dato' Chan Kong Choy, Deputy Finance Minister and Tan Sri Dato' Seri Vincent Tan Chee Youn at the Sports Toto Chinese New Year ang pow donation campaign 2002



Participants of Bulan Sukan Negara 2002 clad in Berjaya Group T-shirts

Berjaya Group was a main sponsor for the Bulan Sukan Negara 2002. Seen here YB Dato' Hishammuddin Tun Hussein, Minister of Youth and Sports and Dato' Annuar b. Zaini, Executive Director of Berjaya Group at the presentation ceremony



Mr. Robin Tan, Executive Director of Berjaya Sports Toto Berhad presenting a mock cheque to YB Dato' Seri S. Samy Vellu, Minister of Works and YB Dato' G. Palanival (right), Deputy Minister of Rural Development for the development of a medical university in Kedah



"Berbuka Puasa" goodwill visit to Penyakin Home



A donation to St. John Ambulans

A goodwill visit to the Paediatric Ward, HUKM



Sports Toto Annual Chinese New Year Ang Pow donation campaign

# audit committee report

The Board of Directors of Berjaya Group Berhad is pleased to present the report of the Audit Committee for the financial year ended 30 April 2002.

## MEMBERS AND MEETINGS ATTENDANCES

The members of the Audit Committee comprises the following:-

Dato' Suleiman Bin Mohd Noor  
*Chairman/Independent Non-Executive Director*

Robert Yong Kuen Loke  
*Non-Independent Executive Director*

Tan Sri Datuk Abdul Rahim Bin Haji Din  
*Independent Non-Executive Director*

The Audit Committee held five (5) meetings during the financial year ended 30 April 2002. The details of attendance of the Audit Committee members are as follows:-

Name	Attendance
Dato' Suleiman Bin Mohd Noor	5/5
Robert Yong Kuen Loke	5/5
Tan Sri Datuk Abdul Rahim Bin Haji Din (Appointed on 3.12.2001)	1/3*

\* Reflects the attendance and the number of meetings held during the period the Director held office.

The General Manager - Group Internal Audit and the Senior General Manager of the Group Accounts and Budget were also invited to attend the audit committee meetings. The external auditors were also invited to attend one of these meetings.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The activities undertaken by the Audit Committee during the financial year ended 30 April 2002 included the following:-

1. Reviewed the quarterly and year-to-date unaudited financial results before submission to the Board for consideration and approval;
2. Reviewed the external auditors' scope of work and audit plan for the year;
3. Reviewed and discussed the external auditors' audit report and areas of concern in the management letter thereof;
4. Reviewed the internal audit reports presented and considered the major findings of internal audit in the Group's operating subsidiaries and associated companies through the review of internal audit reports tabled and management responses thereto and ensuring significant findings are adequately addressed by management;
5. Reported to the Board on its activities and significant findings and results.

# audit committee report

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group has an established Internal Audit Department whose primary function is to assist the Audit Committee in discharging its duties and responsibilities. Their role is to provide the Committee with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies and procedures.

For the financial year ended 30 April 2002, the Internal Audit department carried out a total of 9 audit assignments of various local operating units in the Group which are involved in the marketing and distribution of motor vehicles, plantation, operation of convenience stores under the 7-Eleven trademark, pathological services and garment and yarn manufacturing. Internal Audit reports were issued to the Audit Committee and the management of the respective operations, incorporating audit recommendations and management responses with regards to audit findings relating to the weaknesses in the systems and controls of the respective operations audited. The Internal Audit department also followed up with management on the implementation of the agreed audit recommendations.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### 1. Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Directors and at least one member of the Committee must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experience as approved by the Kuala Lumpur Stock Exchange ("KLSE").

A quorum shall consist of two members and a majority of the members present must be Independent Directors.

If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

### 2. Chairman

The Chairman of the Committee shall be an Independent Director appointed by the Board. He shall report on each meeting of the Committee to the Board.

### 3. Secretary

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

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee members and to the other members of the Board.

### 4. Frequency of Meetings

Meetings shall be held not less than four times a year and will normally be attended by the Director charged with the responsibility of the Group's financial condition and Head of Internal Audit. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary.

### 5. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee is also authorised to convene meetings with the external auditors excluding the attendance of the executive members of the Committee, whenever deemed necessary.

# audit committee report

## 6. Duties

The duties of the Committee shall be:-

- a) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as external auditors;
- b) To discuss with the external auditors where necessary, on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- c) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:-
  - going concern assumption
  - compliance with accounting standards and regulatory requirements
  - any changes in accounting policies and practices
  - significant issues arising from the audit
  - major judgemental areas
- d) To prepare Audit Committee Report at the end of each financial year;
- e) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary);
- f) To review the external auditors' management letter and management's response;
- g) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- h) To do the following in relation to the internal audit function:-
  - review the adequacy of scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work;
  - review internal audit programme;
  - ensure coordination of external audit with internal audit;
  - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of the staff of the internal audit function;
  - approve any appointment or termination of senior staff member of the internal audit function;
  - keep itself informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation;
  - to monitor related party transactions entered into by the Company and its subsidiaries, and to ensure that the Directors report such transactions annually to shareholders via the annual report;
  - to review and monitor the effectiveness of internal control systems and to evaluate the systems with the external auditors;
- i) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board of Directors from time to time;
- j) In compliance with Paragraph 15.17 of the KLSE Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to the KLSE.

# statement on corporate governance

The Malaysian Code on Corporate Governance ("Code"), introduced in March 2000, sets out the principles and best practices that companies may apply in the direction and management of their business and affairs towards achieving the ultimate objectives of maximising shareholder value.

The principles and best practices of the Code were incorporated into the revamped Listing Requirements of the Kuala Lumpur Stock Exchange in January 2001 and listed companies are required to disclose the extent of compliance with the Code or in areas where there are deviations, the alternative measures undertaken.

The statement below sets out how the Group has applied the key principles and the extent of its compliance with the best practices throughout the financial year ended 30 April 2002.

## (A) DIRECTORS

### (i) The Board

The Board has overall responsibility for the strategic direction and control of the Group.

The Board meets regularly on a quarterly basis with additional meetings being convened as necessary. For the financial year ended 30 April 2002, the Board met six (6) times. The record of attendance for the Directors who held office during the said financial year is set out below:-

Directors	Attendance
Tan Sri Dato' Seri Vincent Tan Chee Yioun	3/6
Dato' Danny Tan Chee Sing	3/6
Robert Yong Kuen Loke	5/6
Chan Kien Sing	4/6
Freddie Pang Hock Cheng	4/6
Dato' Mohd Annuar bin Zaini <i>(Appointed on 2 July 2001)</i>	4/5*
Rayvin Tan Yeong Sheik <i>(Appointed on 1 May 2002)</i>	-
Tan Sri Datuk Abdul Rahim bin Haji Din#	5/6
Dato' Suleiman bin Mohd Noor#	6/6
Dato' Thong Kok Khee <i>(Resigned on 28 June 2002)</i>	-

# Denotes Independent Non-Executive Director

\* Reflects the attendance and the number of meetings held during the period the Director held office.

### (ii) Board Composition

The Board has nine (9) members comprising:-

- The Chief Executive Officer
- Five (5) Executive Directors
- Two (2) Independent Non-Executive Directors
- One (1) Non-Independent/Non-Executive Director.

The Board members' varied skills and breadth of experience are relevant for the effective management of the Group's diversified business. A brief profile of each Director is presented on Pages 3 to 6 of the Annual Report.

# statement on corporate governance

## (A) DIRECTORS (CONT'D)

### (ii) Board Composition (Cont'd)

The roles of Chairman and Chief Executive Officer are currently assumed by Tan Sri Dato' Seri Vincent Tan Chee Yioun ("TSVT") in recognition of TSVT's entrepreneurial leadership which has transformed the Group into a diversified conglomerate. He has overall responsibility for the Group's business operations, organisational effectiveness and the implementation of Board policies and decisions. Nevertheless, the ultimate responsibility for the final decision on all matters lies with the Board of Directors.

The Board also recognise the pivotal role of the independent directors in corporate accountability as they provide unbiased and independent views, advice and judgement. Dato' Suleiman bin Mohd Noor has been identified as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

### (iii) Supply of Information

The Directors have full and timely access to information concerning the Company and the Group. The Directors are provided with the relevant agenda and Board papers in sufficient time prior to Board meetings to enable them to obtain further explanation and clarification to facilitate informed decision-making. The Board papers include reports on the Group's financial, operational and corporate developments.

The Directors have access to the advice and services of the Company Secretary and the senior Management staff in the Group and may obtain independent professional advice at the Company's expense in furtherance of their duties.

### (iv) Appointment to the Board

The Nomination Committee was established in December 2001 and comprises the following members:-

Dato' Suleiman bin Mohd Noor	- Chairman/ Independent/Non-Executive
Tan Sri Datuk Abdul Rahim bin Haji Din	- Independent/Non-Executive
Dato' Danny Tan Chee Sing	- Non-Independent/Non-Executive

The Nomination Committee is primarily empowered by its terms of reference to perform amongst others, to recommend to the Board, new candidates as Board members or Board committee members.

### (v) Directors' Training

All the Directors have attended and completed the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysts Malaysia (RIIAM), an affiliate company of the Kuala Lumpur Stock Exchange. The Directors will continue to undergo other relevant training programmes to further enhance their knowledge in the latest statutory and regulatory developments to enable them to discharge their responsibilities more effectively.

### (vi) Re-election of Directors

Any Director appointed during the year is required under the Company's Articles of Association to retire and seek re-election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Articles also require that one-third of the Directors including the Managing Director, if any, to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election at least once in every three years.

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



## statement on corporate governance

### (B) DIRECTORS' REMUNERATION

#### i) Remuneration Committee

The Remuneration Committee was established in December 2001 and comprises the following members:-

Dato' Suleiman bin Mohd Noor	- Chairman/ Independent/Non-Executive
Tan Sri Datuk Abdul Rahim bin Haji Din	- Independent/Non-Executive
Tan Sri Dato' Seri Vincent Tan Chee Yioun	- Non-Independent/Executive

The primary function of the Remuneration Committee is to set up the policy framework and to recommend to the Board on remuneration packages and other terms of employment. The determination of the remuneration for the Non-Executive Directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration package.

#### (ii) Details of the Directors' remuneration

The Directors are satisfied that the current level of remuneration are in line with the responsibilities expected in the Group.

The aggregate Directors' remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year are as follows:-

	← RM'000 →					
	Fees	Salaries and other emoluments	Special Incentives	Bonus	Benefits- in-kind	Total
Executive	35	4,727	7,130	318	97	12,307
Non-Executive	67	112	-	-	19	198
	102	4,839	7,130	318	116	12,505*

\* The aggregate remuneration from the Group of RM12.505 million is inclusive of remuneration paid or payable to the Directors by the Company and its five (5) listed subsidiaries, namely, Berjaya Capital Berhad, Berjaya Land Berhad, Berjaya Sports Toto Berhad, Cosway Corporation Berhad and Matrix International Berhad as well as the pro-rated remuneration paid to Directors who resigned during the financial year.

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands are as follows-

	Number of Directors	
	Executive	Non-Executive
RM1 - RM50,000	-	4
RM100,001 - RM150,000	1	1
RM200,001 - RM250,000	1	-
RM250,001 - RM300,000	2	-
RM350,001 - RM400,000	-	1
RM500,001 - RM550,000	1	-
RM750,001 - RM800,000	3	-
RM8,200,001 - RM8,250,000	1	-
	9	6 *

\* Inclusive of Directors who resigned during the financial year.

# statement on corporate governance

## (C) RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the Company's annual reports, circulars to shareholders, quarterly financial results and the various announcements made from time to time.

The Group maintains a website at [www.berjaya.cc](http://www.berjaya.cc) which shareholders as well as members of the public are invited to access for the latest information on the Group. Alternatively, they may obtain the Group's latest announcements via the Kuala Lumpur Stock Exchange website at [www.klse.com.my](http://www.klse.com.my).

The Annual General Meeting ("AGM") remains the principal forum for dialogue with shareholders where they may seek clarifications on the Group's businesses. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

## (D) ACCOUNTABILITY AND AUDIT

### (i) Financial Reporting

The Directors aim to provide a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual report and quarterly financial statements.

The Directors are also responsible for ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing section.

### (ii) Statement of Directors' Responsibility in respect of the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

### (iii) Internal Control

The Board acknowledges that it is responsible for maintaining a sound system of internal controls which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines.

A Statement on Internal Control of the Group is set out on Page 83 of the Annual Report.

## statement on corporate governance

### (D) ACCOUNTABILITY AND AUDIT (CONT'D)

#### (iv) Relationship with the Auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's auditors, both internal and external. From time to time, the auditors highlighted to the Audit Committee and the Board on matters that require the Board's attention.

### (E) DEVIATIONS FROM BEST PRACTICES

	<b>Best Practices</b>	<b>Deviation</b>
AA.II	The roles of the Chairman and Chief Executive Officer should be segregated to ensure a balance of power and authority, such that no one individual can dominate the board's decision making.	The Chief Executive Officer, Tan Sri Dato' Seri Vincent Tan Chee Yioun ("TSVT") has also assumed the role as Chairman. The Board is aware of the dual role held and has decided that TSVT will continue to hold the dual role in recognition of his contribution which has transformed the Group into a diversified conglomerate.
AA.III	Independent Non-Executive Directors need to make up at least one-third of the membership of the Board.	The Board is short of one (1) independent director and a suitable candidate is still being identified to fill this vacancy.

### (F) ADDITIONAL INFORMATION - Imposition of Sanctions/Penalties

Since the previous financial year ended 30 April 2001, the Company was reprimanded and fined RM36,000 by the KLSE for the late release of the Group's financial results for the third quarter ended 31 January 2001 in relation to the financial year ended 30 April 2001.

# statement on internal control

## RESPONSIBILITY

The Board of Directors of Berjaya Group Berhad ('BGroup' or 'the Group') recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The Board's responsibility in relation to the system of internal control extends to all subsidiaries of the Group.

The Group's system of internal control is designed to manage the principal business risks that may impede the Group from achieving its business objectives. Notwithstanding, due to the limitations that are inherent in any system of internal control, the Group's internal control system cannot eliminate the risk of failure to achieve business objectives. As such, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

## MANAGEMENT STYLE AND CONTROL CONSCIOUSNESS

The Group's businesses are divided into seven main divisions:

- Industrial;
- Consumer Marketing & Direct Selling;
- Investment Holding & Others;
- Vacation Timeshare, Hotels, Resorts and Recreation Development Division ('Leisure Division');
- Property Investment and Development ('Property Division');
- Gaming and Lottery Management; and
- Financial Services.

In overseeing the Group's businesses, the Board continually strives for an appropriate balance between control and empowerment. The Executive Committee, which consists of BGroup's Executive Directors and key senior management personnel, as well as Managing Directors/Chief Executive Officers/Executive Directors of the main operating companies, assists the Board in setting and reviewing high-level policies that support the business objectives of the Group. The Executive Committee will address pertinent information for the Board's attention if Board-level decision-making is required.

The Executive Committee also has in place a sub-committee, the Business Review Committee, which monitors the performance and profitability of the Group's businesses through the review of budgets and management reports. Among the recent initiatives of the Business Review Committee is the formulation of Key Performance Indicators to better monitor, and report on, the Group's businesses.

Management of the day-to-day affairs of the Group's businesses within the various divisions are assigned to local management, comprising Managing Directors/Chief Executive Officers/Executive Directors of the main operating companies, who are accountable for the conduct and performance of their businesses within the agreed business strategies. Local management attend various management and operations meetings, and review financial and operations reports, in order to monitor the performance and profitability of their respective businesses. Paramount to this process is the role played by BGroup's Executive Directors and senior management personnel who, by virtue of their presence on the Boards of both listed and unlisted subsidiaries of the Group, supervise the subsidiaries' activities, and regularly update the Boards of the respective listed and unlisted subsidiaries of the Group, and thereafter the Executive Committee of BGroup.

The Group also prides itself with its 'open-door' and 'hands-on' approach, practised by the Executive Directors, senior management and executives of the Group. Such a culture allows for any matters arising to be promptly and efficiently dealt with, drawing from the experience and knowledge of employees throughout the Group.

The above monitoring and reporting processes present the ideal platform for the timely identification of the Group's principal business risks, as well as systems to manage them.

The Group also has in place various support functions, which are centralised at BGroup. These comprise Secretarial, Legal, Tax, Human Resource, Procurement, Treasury, Investment and Accounts and Budgets. The support functions maintain consistency in the setting and application of policies and procedures relating to these functions, and reduce duplication of efforts, thereby providing synergy to the Group.

The Board does not regularly review the internal control system of its associated companies, as the Board does not have any direct control over their operations. Notwithstanding, the Group's interests are served through representations on the boards of the respective associated companies and receipt and review of management accounts, and enquiries thereon. These representations also provide the Board with information for timely decision-making on the continuity of the Group's investments based on the performance of the associated companies.

# statement on internal control

## ASSURANCE MECHANISM

The Board has assigned the Audit Committee with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The Audit Committee receives assurance reports from both the internal and external auditors.

The Internal Audit function furnishes the Audit Committee with reports from visits conducted at various unlisted subsidiaries. The respective listed subsidiaries' internal audit functions conduct regular reviews of the subsidiaries' and their group of companies' business units, and report directly to the respective subsidiaries' Audit Committee.

The external auditors provide assurance in the form of their annual statutory audit of the financial statements of the Group. Further, any areas for improvement identified during the course of the statutory audit by the external auditors are brought to the attention of the Audit Committee through management letters, or are articulated at Audit Committee meetings.

The Board reviews the minutes of the Audit Committee's meetings. The Report of the Audit Committee is set out on Pages 75 to 77 of the Annual Report.

## KEY FEATURES OF THE INTERNAL CONTROL SYSTEM

Subsequent to the financial year under review, the Board appointed a professional services firm to assess, at a high-level, the Group's system of internal control vis-à-vis the Guidance issued by the Kuala Lumpur Stock Exchange's Task Force on the Statement on Internal Control. The outcome of the assessment has identified the following key features of BGroup's system of internal control, including those highlighted above:

- Clear organisation structure with delineated reporting lines
- Defined levels of authority
- Timely financial and operations reports
- Scheduled operations and management meetings
- Regular visits to the operating units of the Group's businesses by the Executive Directors and senior management personnel
- The Executive Committee which sets and reviews high-level policies for the Group
- The Business Review Committee which monitors and reviews performance and profitability
- Centralised procurement function that ensures approval procedures are adhered to, as well as to leverage on the Group's purchasing power
- Payment functions controlled at Head Office
- Capable workforce with ongoing training efforts
- Centralised human resource function which outlines procedures for recruitment, training, appraisal and the reward system
- Independent assurance on the system of internal control from regular internal audit visits

The above-mentioned assessment has also identified several improvement opportunities for which the Board, together with senior management, will draw up action plans with appropriate timelines to further enhance the Group's system of internal control.

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the type of businesses and size of operations of the Group. As such, the Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.