

With the growing emphasis on good corporate governance to be adhered to by companies, the Board of Directors (“the Board”) of Mycron Steel Berhad have taken positive steps to ensure that the Company and its subsidiary maintain a high standard of corporate governance. The Board recognizes the importance of discharging its responsibilities effectively to protect and enhance shareholders’ value and the financial performance of the Group.

The Board considers that the Group has fully complied with Part 1 and Part 2 of the Malaysian Code on Corporate Governance (“the Code”). This Statement, together with other statements, such as the Statement on Internal Control, sets out the manner in which the Corporate Governance framework has been applied.

BOARD OF DIRECTORS

a) Board Responsibilities

The Board is aware of its responsibility to ensure that all decisions to be made by the Company should take into consideration the effects on the shareholders including minority shareholders. The Board also acknowledges that it is the duty of the Board of Directors to act in the best interest of the Group and the Company at all times.

The Board has full control of the management of the Company and is overall responsible for the strategies and directions, shareholders and investors’ relationship, annual budget, major capital expenditure, significant financial matters and the adequacy and integrity of internal controls including risk assessment.

The Company was listed on 21 June 2004 and has held three (3) Board of Directors’ Meetings for the financial year ended 31 January 2005.

The Board has delegated specific responsibilities to 4 sub-committees namely Audit, Nomination, Remuneration and Risk Management Committees. These Committees have the authority to examine particular issues and will report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

b) Board Balance and Composition

The Board currently has 9 members comprising the following:-

- 1 Non-Executive Non-Independent Chairman
- 2 Executive Directors
- 3 Non-Executive Non-Independent Directors
- 3 Non-Executive Independent Directors

Premised on the above Board balance, the Board has complied with Paragraph 15.02 of the Listing Requirements to have at least one-third (1/3) of the Board comprising independent directors. The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors with a wide range of technical skills in steel industry, business, financial and legal experience. All Board members participate and deliberate on the issues and matters affecting the Company. The profiles of the Directors which are set out on Page 19 to 23 illustrate an impressive spectrum of experiences vital to the direction and management of the Company.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the working of the Board, its membership and participation of the members at Board Meetings. The Chief Executive Officer is responsible for the making and execution of strategic goals, effective operation within the Group, to explain, clarify and inform the Board on matters pertaining to the Group.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the daily operations and business development of the Group. The Non-Independent Non-Executive Directors are independent of management and are free from any business relationship which could materially interfere with the exercise of their judgement. Together with the Independent Non-Executive Directors, they provide the support to complement the skills and experience of the Executive Directors. The Independent Non-Executive Directors also offer the unbiased independent view, advice and judgement in the best interest, not only for the Group but also of shareholders, employees and communities in which the Group conducts its business.



c) Board Meetings

The Board is to meet at least four (4) times a year, with additional meetings convened as necessary, to review Management Reports on the progress of business operations and minutes of meetings of the various Board Committees and to consider and if deem fit approve proposals that require the sanction of the Board.

Senior Management staff may be invited to attend Board Meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board and to furnish their clarification on issues that may be raised by the Board.

As the Company was listed on 21 June 2004, there have been three (3) Board of Directors' Meetings held for the financial year ended 31 January 2005. For clarification purposes, all the Directors were appointed to the Board of the Company on 30 March 2004. The following is the record of attendance of the Directors:-

Executive Directors	Total
1. Encik Azlan bin Abdullah	3/3
2. Mr Chan Sang Whye	3/3
Non-Independent Non-Executive Directors	
1. Tunku Dato' Seri Iskandar bin Tunku Abdullah (Chairman)	3/3
2. Tunku Dato' Ya'acob bin Tunku Abdullah	3/3
3. Dato' Zulkifly @ Sofi bin Haji Mustapha *	1/3
4. Mr Lim Kim Chuan	3/3
Independent Non-Executive Directors	
1. Dato' Abu Talib bin Mohamed	2/3
2. Dato' Narendrakumar Jasani a/l Chunilai Rugnath	3/3
3. Mr Paul Chan Wan Siew	3/3

Notes: * The Board wishes to explain that Dato' Zulkifly @ Sofi bin Haji Mustapha had been ill of health and was therefore unable to attend two (2) meetings held during the financial period ended 31 January 2005.

d) Supply of Information

The Board Members are given board papers with appropriate support documentation in a timely manner prior to each Board Meeting to enable them to function effectively and allow Directors to discharge their responsibilities accordingly. These include a periodic financial and operational report, proposals for capital expenditure and proposals for investment.

The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed. In addition, the Directors may obtain independent professional advice at the Group's expense, where necessary, in the furtherance of their duties.

The proceedings and resolutions reached at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minute Book at the registered office. Besides Board Meetings, the Board also exercises control on matters that require Board's approval through circulation of Directors' Resolutions.

e) Appointments to the Board

The Board had set up a Nomination Committee whose main responsibility is to recommend board appointments and to assess directors on an on-going basis.



The members of the Nomination Committee currently comprises of the following members:-

- i) Dato' Abu Talib bin Mohamed (Chairman);
- ii) Mr Paul Chan Wan Siew; and
- ii) Dato' Zulkifly @ Sofi bin Haji Mustapha

The principal duties and functions of the Nomination Committee based on a Terms of Reference approved by the Board, are to recommend technically competent persons of integrity with a strong sense of professionalism, assisting the Board in assessing its overall effectiveness as well as to review the performance of members of the Board, the Chief Executive Officer, Chief Operating Officer and Members of Board Committees as a whole and the contribution of each individual Director.

The Nomination Committee has also recommended the appointment of Dato' Narendrakumar Jasani a/l Chunilal Rugnath as the Senior Independent Director to whom all concerns may be conveyed and which was endorsed by the Board.

f) Re-election

Every Director is required by the Company's Articles of Association to retire from office once at least every three years except for those who retire every year in accordance with Section 129 of the Companies Act, 1965 and to seek re-election by the shareholders at the Annual General Meeting.

Any Director appointed by the Board during the year to fill as a casual vacancy or as an addition shall hold office only until the next Annual General Meeting but shall also be eligible for re-election.

g) Directors' Training

All Directors have also attended the Mandatory Accreditation Programme ("MAP") within the period stipulated. Members of the Board continue to attend seminars, various training programmes accredited by Bursa Malaysia Securities Berhad ("Bursa Securities"), conferences and various other training programmes to keep abreast with developments in the regulations and statutes in the relevant industry and to further enhance their skill and knowledge.

h) Directors' Remuneration

The Group has adopted the principle recommended in the Code whereby the level of remuneration of the Directors is sufficient to attract and retain the Directors needed to manage the Group successfully.

The Board had also set up a Remuneration Committee whose main responsibility is to determine and recommend to the Board the framework or broad policy for the remuneration of the Directors, Chief Executive Officer and other senior management members of the staff.

The members of the Remuneration Committee comprises the following members:-

- i) Dato' Abu Talib bin Mohamed (Chairman);
- ii) Mr Paul Chan Wan Siew; and
- iii) Dato' Zulkifly @ Sofi bin Haji Mustapha

Non-Executive Directors are paid attendance allowance for each Board and Committee Meeting. Directors' fees are also paid to the Non-Executive Directors which will be presented to shareholders for approval at the Annual General Meeting.

The Company recognises the need to have a competitive remuneration package to attract and retain the Directors of the calibre needed to lead the Group successfully. In the case of the Executive Directors, their remuneration are linked to level of responsibilities, experience, contributions and individual as well as Group performance. For the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them.



The remuneration of Directors, in aggregation and analysed into bands of RM50,000 is as follows :-

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	470	–
Allowances	–	–
Bonuses	78	–
Fees	–	144
Benefits-In-Kind	27	–
Other Emoluments	137	12
TOTAL	712	156

Number of Directors		
Range of Remuneration	Executive	Non-Executive
Less than RM50,000	–	6
RM50,001 to RM100,000	–	1
RM250,001 to RM300,000	–	–
RM300,001 to RM350,000	1	–
RM350,001 to RM400,000	1	–

The above disclosures of remuneration of directors are calculated for the period from 1 February 2004 to 31 January 2005.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the need to communicate with shareholders and investors on all material business matters of the Group. The results of the Company and the Group are published quarterly via the Bursa Securities website. In addition to various announcements made during the year, information on the Group is available on the Group's website at www.mycronsteel.com. Any general enquiries and comments can be addressed to enquiry@mycronsteel.com.

The Company also encourages shareholders to attend its Annual General Meeting as this is the principal forum for dialogue and interaction with shareholders. At each Annual General Meeting, the Directors usually provide adequate time to attend to questions and comments of shareholders. Notices of each meeting are issued on a timely manner to all the shareholders.

The Executive Directors and Senior Management have periodical dialogues with existing and prospective investors and the analysts to enhance understanding of the Group's objectives and provide insight on the latest developments in the Group.

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board aims to present a balanced, clear and understandable assessment of the Group's financial positions and prospects in the annual financial statements and quarterly announcements to the shareholders, investors and regulatory authorities.

The Audit Committee deliberates and reviews the quarterly financial results to ensure accuracy, adequacy and completeness before the results are reviewed and approved by the Board of Directors. The details of the Company's and the Group's financial positions are included in the Financial Statements section of the Annual Report.

In the preparation of the financial statements, the Directors had considered the appropriate accounting policies to be used and consistently applied and supported by reasonable and prudent judgments and estimates.



b) Internal Control

The Board recognizes that it has overall responsibility for maintaining a sound system of internal control for the Group in order to safeguard shareholders' interest of the Group's assets. The system of internal control not only covers financial controls but also operational and compliance controls as well as risk management.

The Group's Statement of Internal Control is set out on pages 35 to 36 of this Annual Report.

The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognizes the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board further recognizes that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimizing and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Group's assets.

A Risk Management Committee ("RMC") was established on 31 March 2004 to look into the risk management of the Group. The RMC comprises of three (3) members, the majority of whom shall be Independent Directors.

The members of the RMC are as follows:-

- i) Mr Paul Chan Wan Siew (Chairman);
- ii) Dato' Narendrakumar Jasani a/l Chunilal Rugnath; and
- iii) Mr Lim Kim Chuan

The RMC is to meet regularly, at least once every quarter in a financial year to review risk management report of the Company and its subsidiary companies. The RMC has categorized risks into nine (9) key risk factors affecting the Company and the Group, namely, Product Risk, Human Risk, Regulatory Risk, Operational Risk, Financial Risk, External Risk, Customer Risk, Integrity Risk and Supplier Risk ("Key Risk Factors"). The Group has embarked on a risk identification and assessment process whereby all department heads of the Company and its subsidiary are required to assess their operations and identify risk under each of the Key Risk Factors affecting their operations, identify existing controls in place to manage those risks and risk transferred and the probability of the risk occurring and its impact.

c) Audit Committee

The Audit Committee meets regularly with senior financial management, the Internal Auditors and the External Auditors to review the Company's and the Group's financial reporting, the nature and scope of audit reviews, and the effectiveness of the systems of internal control and compliance.

The terms of reference and activities of the Audit Committee during the financial year ended 31 January 2005 are provided separately in this Annual Report.

d) Relationship with the External Auditors

The Board through the Audit Committee has established a transparent and appropriate relationship with the Group's External Auditors, Messrs PricewaterhouseCoopers ("PWC"). PWC will report to members of the Group on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. The Audit Committee meets with the External Auditors on a quarterly basis.

The relationship between the Board and the External Auditors is also formalized through the Audit Committee's terms of reference.



DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required to prepare the financial statements which give a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year end of the results and cash flow for that year. The financial statements must be prepared in compliance with the Companies Act, 1965 and with applicable approved accounting standards.

The Directors considered the following in preparing the financial statements:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable approved accounting standards have been followed.

The Directors are of the opinion that the financial statements comply with the above requirements. The Directors are also responsible for ensuring the maintenance of adequate accounting records to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

ADDITIONAL COMPLIANCE INFORMATION

- a) Status of Utilisation of Proceeds Raised from the Listing Exercise during the Financial Year Ended 31 January 2005.

Purpose	Total Amount Available for Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)
Repayment of Bank Borrowings	25,000	25,000	–
Estimated Listing Expenses	3,000	3,057	–
Working Capital	34,913	34,857	–

- b) There was no non-audit fees paid by the Group to the External Auditors during the financial year.

Further, during the financial year ended 31 January 2005:-

- There were no material contracts (not being contract entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year;
- The Group has not sponsored any ADR or GDR programme for the financial year ended 31 January 2005;
- There were no sanctions and/or penalties imposed on the Group, directors or management by the relevant regulatory bodies during the financial year;
- During the financial year, there were no profit guarantees given by the Group;
- The Group revalue its properties comprising land and buildings at least once in every five (5) years. Surplus arising from revaluation is dealt with through the asset revaluation reserve account. Any deficit arising is set-off against the asset revaluation reserve to the extent of a previous increase for the same property. In all cases, a decrease in carrying amount will be charged to the income statement;
- There were no profit estimates, forecasts, projections or unaudited results made or announced for the financial year ended 31 January 2005 which differed by 10 per cent or more from the audited results ;
- There were no loans between the Company and its subsidiaries that involve directors' or major shareholders' interests



1. Introduction

Pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Securities, the Board of Directors of listed companies are required to include in their annual report a “statement about the state of their internal controls of the listed issuer as a group”. The Board of Mycron Steel Berhad recognizes the importance of sound internal control and risk management practices for good corporate governance.

In acknowledging the above statement, the Board is pleased to provide the following statement which outlines the state of internal control of the Group for the year under review.

2. Board’s Responsibility

The Board affirms its overall responsibility for the Group’s system of internal controls and for reviewing its effectiveness, adequacy and integrity. Due to the limitations that are inherent in any system of internal control, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board is also responsible for identifying the nature and extent of major business risks faced by the Group, evaluating them and to manage, instead of attempting to eliminate these risks that could inadvertently prevent the achievement of the Group’s business objectives.

3. Risk Management Framework

The Risk Management Committee (“RMC”) which was established on 31 March 2004 formally adopted a Risk Management Framework for the Group. The objective of this framework is to provide guidance to the Group to facilitate a structured approach to identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the subsidiary to the holding company in a timely manner. This process has been in operation during the financial year ended 31 January 2005 and up to the date of approval of the annual report and its financial statements.

The roles of the Board of Directors, Risk Management Committee, Risks Committee and Division Heads are well defined under the framework with clear lines of accountability. The Management is responsible for the identification and evaluation of key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.

The Board has delegated the responsibility to the RMC to review the entire risk management processes and procedures and the RMC is to provide feedback to the Board of Directors on a regular basis.

The main duties and functions of the RMC based on the Terms of Reference approved by the Board are, inter-alia, as follows:-

- a. Reviewing existing controls that may reduce the risk factors of the Group;
- b. Reviewing and recommending risk management strategies, policies and risk tolerance for the Board’s approval;
- c. Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- d. Ensuring adequate infrastructure, resources and systems are in place for an effective risk management that is ensuring that the staff is responsible for implementing risk management systems, perform those duties independently; and
- e. Reviewing the management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

The Group has established, within its risk management framework, a structured approach to enterprise-wide risk management. The risk management process entails the following to be carried out:-

- Risk Identification;
- Risk Assessment;
- Risk Mitigation;
- Risk Monitoring; and
- Risk Reporting

During the period, the Group has developed an enterprise wide risk map through the control and risk self assessment exercise facilitated by the Risk Management Unit. This exercise includes profiling and mapping of the risks identified and proposing risk mitigating strategies to manage these risks. The risk profiles of the Group and the individual business units are presented to the RMC who then present the Risk Reporting to the Board.



The RMC will co-ordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will ensure a more coordinated and consistent approach in managing the Group's significant risk exposures.

4. Internal Control

The Board had also towards the end of the financial year engaged the services of Messrs Moores Rowland Risk Management Sdn Bhd ("MR") to carry out the internal audit functions which was previously handled by the Group Internal Audit Department of Melewar Industrial Group Berhad. The principal duty and responsibility of MR is to examine and evaluate all major phases of operations of the Group and to assist the Board in the effective discharge of the Board's responsibilities.

The key elements of the Group's internal control systems include:

- a. The Internal Auditors had prepared a 'risk-based' internal audit plan which considers all the critical and high impact areas within the business operations. During the financial year, internal audits on various audit areas per the approved internal audit plan were carried out by the Internal Auditors. Any weaknesses identified during the reviews were reported to the Audit Committee and improvement measures were recommended to strengthen controls. This provides assurance regarding the adequacy and the integrity of the internal controls system.
- b. The Group's operations are being accredited with the prestigious ISO 9001:2000 international quality system standard since October 2002 and such quality management system provides the Group with improved control of key processes and a foundation for improving quality, customer service and customer satisfaction. During the financial year, the Group was in the process of upgrading the ISO9002:1995 to a newer version, i.e. ISO9001:2000.
- c. The Group has an appropriate organisational structure for planning, executing and controlling business operations which enables adequate monitoring of the activities and ensures effective flow of information across the Group.
- d. The Management is responsible for the identification and evaluation of key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.
- e. Lines of responsibility and delegations of authority are clearly defined which include amongst others approval of capital expenditure and investment programmes.
- f. The Executive Directors and Management monitor the Group's performance via key performance indicators, monthly management report and periodic management meetings. Any exceptions noted will be duly investigated and reported.
- g. Key processes of the Group are governed by policies and procedures.
- h. The Group has in place a Safety and Health Committee to review the occupational safety and health procedures.
- i. The Audit Committee meets at least four times a year and, within its limit, reviews the effectiveness of the Group's system of internal controls. The Committee receives reports from the Internal Auditors and management.
- j. The Risk Management Unit undertakes to oversee the whole risk management processes as described under the risk management framework.

5. Controls Weaknesses

The Board of Directors reviewed the adequacy and integrity of the system of internal control that provide reasonable assurance to the Group in achieving the business objectives.

The Management continues to take measures to strengthen the controls environment and during the current financial year, there were no major weaknesses of internal control which result in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

6. Financial Reporting

In presenting the annual financial statements and quarterly announcements of its results, the Board of Directors have ensured that the financial statements present a balanced and understandable assessment of the Company and the Group's position and prospects.



Members and Meetings

Chairman of the Audit Committee

Dato' Narendrakumar Jasani a/l Chunilai Rugnath (Independent Non-Executive Director)

Members of the Audit Committee

Dato' Zulkifly @ Sofi bin Haji Mustapha (Non-Independent Non-Executive Director)

Mr Paul Chan Wan Siew (Independent Non-Executive Director)

Secretary

The Company Secretary is the Secretary of the Audit Committee.

During the financial year ended 31 January 2005, four (4) Audit Committee meetings were held. The details of attendance of each Committee member are as follows:

Name	Total
Dato' Narendrakumar Jasani a/l Chunilai Rugnath	4/4
Mr Paul Chan Wan Siew	4/4
Dato' Zulkifly @ Sofi bin Haji Mustapha *	1/4

Notes: * Dato' Zulkifly @ Sofi bin Haji Mustapha was unable to attend three (3) out of the four (4) Audit Committee meetings held for the financial year ended 31 January 2005 as he has been ill of health.

Terms of Reference

The terms of reference of the Committee are as follows:

Formation

- The Board of Directors of the Company had established the Audit Committee ("the Committee") on 31 March 2004.

Membership

- The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than 3 members of which the majority of them must consist of Independent Directors. At least one of the Committee members must be a member of the Malaysian Institute of Accountants, or such other qualifications approved by the Bursa Securities.

No member of the Committee shall be:

- An alternate Director, or
- A spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
- Spouse of brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
- Any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Committee.



3. The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director.
4. In the event that a member of the Committee ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
5. The term of office of Committee members should be reviewed by the Board no less than every 3 years.

Authority

6. The Committee is authorised by the Board to investigate any activity within its terms of reference and has the right to any resources which are required to perform its duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
7. The Committee is authorised by the Board to obtain outside legal or other independent professional advice to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
8. The Committee is authorised by the Board to have direct communication channels with the External Auditors and person(s) carrying out the internal audit function. It is also authorised to convene meeting with the External Auditors whenever deemed necessary.

Functions

9. The functions of the Committee shall be :
 - (a) to review the following and report the same to the Board of Directors:
 - (i) with the External Auditors, the audit plan;
 - (ii) with the External Auditors, the evaluation of the system of internal controls;
 - (iii) with the External Auditors, the audit report;
 - (iv) the assistance given by the Company's officers to the External Auditors;
 - (v) the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (vi) the internal audit programme, processes or investigations, undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (vii) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or implementation of major accounting policy;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
 - (viii) 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;
 - (ix) any letter of resignation from the External Auditors of the Group; and
 - (x) whether there is reason (supported by grounds) to believe that the external auditors of the Company is not suitable for reappointment; and
 - (b) to consider the nomination of external auditors together with such other functions as may be agreed to by the Committee and the Board of Directors.



Attendance at meetings

10. The Finance Manager, a representative of the Internal Auditor, a representative of the External Auditors and other authorised officers shall normally attend meetings. Other Board members may attend meeting upon the invitation of the Committee.

Frequency of meetings

11. (a) Meetings shall be held not less than 4 times a year. The External Auditors may request a meeting if they consider necessary.
- (b) In order to form a quorum in respect of a meeting of the Committee, the majority members present must be Independent Directors.

Reporting procedures

12. The Secretary shall circulate the minutes of meeting of the Committee to all members of the Board.

Summary of Activities of the Committee during the financial year ended 31 January 2005

During the financial year ended 31 January 2005, the main activities undertaken by the Audit Committee were as follows :-

- i. Reviewed the adequacy and the relevance of the scope, functions, resources, internal audit plan and results of internal audit processes with the Internal Auditor;
- ii. Reviewed the quarterly financial reports and year-end financial statements with management and recommend the same to the Board for approval before release to Bursa Securities;
- iii. Reviewed with External Auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit;
- iv. Reviewed the financial statements, the audit report, issues and reservations arising from audits and the management letter with the External Auditors and recommend the same to the Board;
- v. Reviewed the disclosure of related party transactions and any conflict of interest situation and questionable transactions;
- vi. Reviewed the findings of the risk management process and recommended to the Board improvement opportunities in risk management, internal controls and governance process;
- vii. Prepared the Audit Committee Report for inclusion in the Company's Annual Report;
- ix. Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board;
- x. Reviewed the disclosure statements on compliance of Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents for publication in the Company's Annual Report.

