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Board of Directors

Dato’ Mohd Nor Bin Abdul Wahid (Independent Non-Executive Chairman)

Mr. Lim Yen Siew @ Tan Sit Seng (Executive Deputy Chairman)

Mr. Tan Aik Hong (Managing Director)

Mr. Yap Keat Choon

Mr. Low Chee Hock

En. Mohd Zaki Bin Hamzah

En. Kamal Bin Abu

Dato’ Tan Yin Wah

Mr. Bong Chan Loong

Company Secretaries

Mr. Lee Chee Chow (MACS 00143)

Ms. Lee Siew Kin (BC/L/805)

Registered Office

B-8-7 Megan Avenue 1
189 Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2161 6322
Fax: 03-2161 0501

Registrar

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

Principal Bankers

Bangkok Bank Berhad
Bank of China (Malaysia) Berhad
Southern Bank Berhad

Solicitors

Manjit Singh Sachdev, Mohammad Radzi & Partners

Auditors

Folks DFK & Co.

Stock Exchange Listing

Malaysia Securities Exchange Berhad (MSEB)
Listed on Second Board on 22 June 2001
NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Aikbee Resources Berhad will be held at Pelican 1, 3rd Floor, Pearl International Hotel, Batu 5, Jalan Klang Lama, 58000 Kuala Lumpur, Malaysia on Friday, 25 June 2004 at 9.30 a.m. to transact the following business:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2003 and the Reports of the Directors and Auditors thereon. (Resolution 1)

2. To approve the payment of Directors’ Fees. (Resolution 2)

3. To re-elect the following Directors who retire in accordance with Article 77 of the Company’s Articles of Association:
   a) Dato’ Mohd Nor Bin Abdul Wahid (Resolution 3)
   b) Mr Lim Yen Siew @ Tan Sit Seng (Resolution 4)
   c) En Mohd Zaki Bin Hamzah (Resolution 5)

4. To re-appoint Messrs Folks DFK & Co. as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 6)

5. As Special Businesses

   To consider and, if thought fit, to pass the following Resolutions:

   i) Special Resolution – Amendment to the Articles of Association of the Company

   “THAT the Articles of Association of the Company be amended by inserting the following new Article 94A immediately after the existing Article 94 :-

   Article 94A A member of the Board of Directors, or of a committee of the Board of Directors shall be deemed to be present at a meeting of Directors or of such committee if he participates by telephone conferencing, video conferencing or by any other electronic communication devices which allow all persons participating in the meeting to hear and speak with each other. Minutes of the proceedings of such meeting will be sufficient evidence of the proceedings to which it relates.” (Resolution 7)

   ii) Ordinary Resolution - Proposed Renewal of the Authority for the Issue of New Ordinary Shares

   “THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued in any one financial year does not exceed 10% of the issued share capital of the Company for the time being, and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Malaysia Securities Exchange Berhad.” (Resolution 8)
iii) Ordinary Resolution - Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Shareholders’ Mandate”)

“THAT approval be and is hereby given to the Company and its subsidiaries to renew the Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and to give effect to the specified Recurrent Related Party Transactions with the specified classes of the Related Parties as outlined in paragraph 2.2.1 on pages 4 and 5 of the Circular to Shareholders dated 28 December 2001, which are necessary for Aikbee Group’s day-to-day operations subject to the following:

a. the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders; and

b. disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders’ Mandate during the financial year.

AND THAT, such approval shall continue to be in force until:

a. the conclusion of the next Annual General Meeting (“AGM”) of the Company; or
b. the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

c. revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Mandate Renewal.”

(Resolution 9)

6. To transact any other ordinary business for which due notice has been given.

By Order of the Board

Mr. Lee Chee Chow
Ms. Lee Siew Kin
Company Secretaries

Kuala Lumpur
3 June 2004
NOTICE OF ANNUAL GENERAL MEETING

Notes:-
1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at B-8-7, Megan Avenue 1, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not later than 48 hours before the time set for holding the meeting or any adjournment thereof.

3. If the Appointer is a corporation, the proxy form must be executed either under its Common Seal or signed by an officer or attorney duly authorised.

4. A Form of Proxy is enclosed.

Explanatory Notes on Special Businesses:-
5. Special Resolution No. 7 if passed, will allow the Company to conduct meetings of the Directors or of a committee of the Board of Directors by means of a telephone conference, video conference or by any other electronic communication devices. The Proposed Amendments is necessary to enable conduct of meetings of the Directors and its Committee to be convened using electronic communication devices in light of the advancement of technology.

6. Ordinary Resolution No. 8 if passed, will give the Directors of the Company from the date of the Annual General Meeting, the authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. The authority unless revoked or varied at a General Meeting will expire at the next Annual General Meeting.

7. Ordinary Resolution No.9 if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties as identified in paragraph 2.2.1 on pages 4 and 5 of the Circular to Shareholders dated 28 December 2001, which are necessary for Aikbee Group’s day-to-day operations, provided that such transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders. This authority, unless revoked or varied by the Company at general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.
Statement Accompanying Notice of Annual General Meeting

(Pursuant to paragraph 8.28(2) of the Listing Requirements of the MSEB)

Directors who are standing for re-election at the Seventh Annual General Meeting of the Company

The Directors retiring by rotation pursuant to the Company’s Articles of Association and seeking re-election are:

- Dato’ Mohd Nor Bin Abdul Wahid
- Mr Lim Yen Siew @ Tan Sit Seng
- En Mohd Zaki Bin Hamzah

The details of the three Directors seeking re-election are set out in the Profile of The Directors which appears from pages 7 to 9 of the Annual Report.

Board Meetings held during the financial year ended 31 December 2003

A total of five (5) Board Meetings were held during the financial year ended 31 December 2003.

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 February 2003</td>
<td>9.30 a.m.</td>
<td>Aikbee Resources Bhd’s office, 3rd Floor, Pearl Point Shopping Mall.</td>
</tr>
<tr>
<td>28 April 2003</td>
<td>10.30 a.m.</td>
<td>Aikbee Resources Bhd’s office, 3rd Floor, Pearl Point Shopping Mall.</td>
</tr>
<tr>
<td>30 May 2003</td>
<td>10.00 a.m.</td>
<td>Aikbee Resources Bhd’s office, 3rd Floor, Pearl Point Shopping Mall.</td>
</tr>
<tr>
<td>25 August 2003</td>
<td>10.00 a.m.</td>
<td>Aikbee Resources Bhd’s office, 3rd Floor, Pearl Point Shopping Mall.</td>
</tr>
<tr>
<td>21 November 2003</td>
<td>11.00 a.m.</td>
<td>Aikbee Resources Bhd’s office, 3rd Floor, Pearl Point Shopping Mall.</td>
</tr>
</tbody>
</table>

Details of attendance at the Board Meetings held in the financial year ended 31 December 2003.

<table>
<thead>
<tr>
<th>Director</th>
<th>No. of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato’ Mohd Nor Bin Abdul Wahid</td>
<td>5/5</td>
</tr>
<tr>
<td>Mr Lim Yen Siew @ Tan Sit Seng</td>
<td>5/5</td>
</tr>
<tr>
<td>Mr Tan Aik Hong</td>
<td>5/5</td>
</tr>
<tr>
<td>Mr Yap Keat Choon</td>
<td>4/5</td>
</tr>
<tr>
<td>Mr Low Chee Hock</td>
<td>4/5</td>
</tr>
<tr>
<td>En Mohd Zaki Bin Hamzah</td>
<td>5/5</td>
</tr>
<tr>
<td>En Kamal Bin Abu</td>
<td>4/5</td>
</tr>
<tr>
<td>Dato’ Tan Yin Wah</td>
<td>3/5</td>
</tr>
<tr>
<td>Mr Bong Chan Loong</td>
<td>3/5</td>
</tr>
</tbody>
</table>
Dear Shareholders,

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

FINANCIAL PERFORMANCE

The Group recorded revenue of RM71.9 million for the financial year ended 31 December 2003, a decrease of 16% from RM85.6 million achieved in 2002. Profit before taxation has also recorded a decrease from RM3.9 million to RM1.9 million in the financial year ended 2003.

The Group’s shareholders’ funds continue to be healthy, standing at RM85.5 million. Net tangible assets stood at RM1.71 per share.

PROSPECTS

The Board of Directors expects the year 2004 to remain challenging and foresees that the financial results for year ending 2004 will not be significantly different from the financial year ended 2003.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank my fellow Board members for their contributions and support. The Board and I would like to express our appreciation to our customers, suppliers, business associates, bankers and financiers for their continued support to the Group.

Dato’ Mohd Nor Bin Abdul Wahid
Chairman
21 May 2004
**Profile of the Directors**

**Dato’ Mohd Nor Bin Abdul Wahid**  
*Independent Non-Executive Chairman*

Aged 52, Dato’ Mohd Nor Bin Abdul Wahid was appointed to the Board on 7 December 2000. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. Dato’ Mohd Nor Bin Abdul Wahid attended all of the five Board Meetings held during the financial year ended 31 December 2003.

He holds a Master Degree in Business Administration (Finance) from the American World University, Iowa, USA. He started his career with Bank Bumiputra Malaysia Berhad and was with the Bank Bumiputra Group for 23 years.

He is currently a director of Three-A Resources Berhad, Setron (Malaysia) Berhad and Saship Holdings Berhad.

Dato’ Mohd Nor Bin Abdul Wahid does not hold any shares in the Company. He has no family relationship with any director and/or major shareholder of the Company.

**Mr Lim Yen Siew @ Tan Sit Seng**  
*Executive Deputy Chairman*

Aged 61, Mr Lim Yen Siew @ Tan Sit Seng was appointed to the Board on 21 December 2000. He is currently a member of the Remuneration Committee.

Mr Lim Yen Siew @ Tan Sit Seng is the founder of Aikbee Group and has been in the timber industry since 1960’s. He has more than 40 years’ experience in sawmilling, timber moulding and related business activities. As a businessman, he has been involved in property development, plantation and investment sectors.

He holds directly 2,510,590 shares in the Company and is deemed interested in the Company by virtue of his substantial shareholding in Aikbee Timbers Sdn Bhd and Sit Seng & Sons Realty Sdn Bhd. Mr Lim Yen Siew @ Tan Sit Seng is the father of Mr. Tan Aik Hong, Managing Director and the brother-in-law of Mr Yap Keat Choon, Executive Director.

**Mr Tan Aik Hong**  
*Managing Director*

Aged 39, Mr Tan Aik Hong was appointed to the Board on 21 December 2000 and was subsequently appointed as the Managing Director of the Company on 5 January 2001. He is also a member of the Audit Committee.

Mr Tan Aik Hong graduated from the University of Stirling, Scotland, majoring in Business Administration. He also has a qualification in the civil engineering field from Singapore Polytechnic. He joined Aikbee Group in September 1989 and is a qualified timber grader registered with the Malaysian Timber Industry Board.

He holds directly 2,838,045 shares in the Company. He is the son of Mr Lim Yen Siew @ Tan Sit Seng, Executive Deputy Chairman and the nephew of Mr Yap Keat Choon, Executive Director.

Mr Tan Aik Hong does not hold directorship in any other public companies and has attended all of the five Board Meetings held during the financial year ended 31 December 2003.
Mr Yap Keat Choon  
*Executive Director*

Aged 45, Mr Yap Keat Choon was appointed to the Board on 21 December 2000. He joined Aikbee Group in 1980 and has been in the sawmilling and timber industry for nearly 30 years. He is a qualified timber grader registered with the Malaysian Timber Industry Board.

He does not hold directorship in any other public companies and has attended four of the five Board Meetings held during the financial year ended 31 December 2003.

Mr Yap Keat Choon holds directly 330,732 shares in the Company. He is the brother-in-law of Mr Lim Yen Siew @ Tan Sit Seng, Executive Deputy Chairman and the uncle of Mr Tan Aik Hong, Managing Director.

Mr Low Chee Hock  
*Executive Director*

Aged 48, Mr Low Chee Hock was appointed to the Board on 21 December 2000. He is also a member of the Remuneration Committee.

He has a Master Degree in Business Administration from Honolulu University, Hawaii, USA and is also a member of the Malaysian Institute of Management. He has more than 29 years’ experience in the timber industry and is a qualified timber grader under the Malaysian Timber Industry Board.

Mr Low Chee Hock does not hold any directorship in any other public companies. He has attended four of the five Board Meetings held during the financial year ended 31 December 2003.

Mr Low Chee Hock holds directly 223,314 shares in the Company. He has no family relationship with any director and/or major shareholder of the Company.

En Mohd Zaki Bin Hamzah  
*Executive Director*

Aged 47, En Mohd Zaki Bin Hamzah was appointed to the Board on 21 December 2000. He has attended all of the five Board Meetings held during the financial year ended 31 December 2003.

En Mohd Zaki Bin Hamzah graduated from the State University of New York, Binghamton with a Bachelor of Science in Accounting and has a Master in Business Administration majoring in Management Information System and Finance. He was a consultant with Arthur Andersen & Co. prior to joining Bank Bumiputra Malaysia Berhad as an EDP Audit Manager. He subsequently assumed the role of Chief Internal Auditor of the banking group.

He holds directly 8,000 shares in the Company. He does not hold directorship in any other public companies and has no family relationship with any director and/or major shareholder of the Company.
En Kamal Bin Abu  
*Independent Non-Executive Director*

Aged 54, En Kamal Bin Abu was appointed to the Board on 21 December 2000 as Executive Director and was re-designated as a Non-Executive Director in March 2002. As at the date of signing this Directors’ Report, En Kamal Bin Abu is further re-designated as an Independent Non-Executive Director.

En Kamal Bin Abu has extensive knowledge and experience in the sawmilling industry and has been in the logging industry since 1987. He does not hold directorship in any other public companies and has attended four of the five Board Meetings held during the financial year ended 31 December 2003.

En Kamal Bin Abu holds directly 2,202,212 shares in the Company. He has no family relationship with any director and/or major shareholder of the Company.

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Dato’ Tan Yin Wah  
*Independent Non-Executive Director*

Aged 52, Dato’ Tan Yin Wah was appointed to the Board on 1 June 2001. He is currently the Chairman of the Remuneration Committee and a member of the Nomination Committee.

Dato’ Tan Yin Wah has been involved in business for the past 27 years, primarily in property development, construction and electrical and electronic industries. He does not hold directorship in any other public companies and has attended three of the five Board Meetings held during the financial year ended 31 December 2003.

Dato’ Tan Yin Wah holds directly 48,000 shares in the Company and has no family relationship with any director and/or major shareholder of the Company.

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Mr Bong Chan Loong  
*Independent Non-Executive Director*

Aged 31, Mr Bong Chan Loong was appointed to the Board on 18 October 2001. He is currently the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr Bong Chan Loong began his career as an accountant with Hume Industries (M) Berhad. He is a member of Malaysian Institute of Accountants and CPA Australia. He is currently a senior consultant with Deloitte Consulting Sdn Bhd.

Mr Bong Chan Loong does not hold any directorship in any other public companies. He has attended three of the five Board Meetings held during the financial year ended 31 December 2003.

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None of the Directors has

- Any conflict of interest with the Company.
- Any conviction for offences within the past ten (10) years other than traffic offences.

All of the Directors are Malaysian.
INTRODUCTION

The Board of Directors of Aikbee Resources Berhad (Aikbee) is committed to ensure the adoption of the principles and best practices as laid down in the Malaysian Code of Corporate Governance throughout the Group. In preparing this report, the Board has considered the manner in which it has applied the principles and complied with the best practices as set out in the Malaysian Code on Corporate Governance.

BOARD OF DIRECTORS

The Board leads and controls the Group. It is the ultimate decision making entity. The Board is responsible for reviewing and adopting Management’s proposals on strategies, business and action plans. The Board also monitors the Group’s business operations and performance and ensures that the existence of appropriate processes and controls are in place, so as to minimize operational risks.

The Board meets on a scheduled basis once every quarter, therefore at least four (4) times a year. Additional meetings are held as and when required. The quarterly Board Meetings are scheduled in advance prior to the start of the financial year. The Board will mainly deliberate on the financial statements and results of the Group and its companies, strategic and corporate direction and matters reserved specifically for the Board’s decision. Prior to the Board Meeting, the Board and its committees are supplied with the agenda and a set of Board papers containing full and timely information relevant to the matters to be deliberated at the meetings to enable them to discharge their responsibilities.

During the Board Meetings, the Board carries out full appraisal of new investments and business proposals, reviews the performance of the business of subsidiaries or existing investments and any other strategic issues that affect or may affect the Group’s business. In the intervals between Board meetings, for exceptional matters requiring urgent Board decision, Board approvals are sought via circular resolutions, which are attached with sufficient information required to make an informed decision.

Where a potential of conflict arise in the Group’s investments, projects or any transactions involving director’s interest, such director is required to declare his/her interest and abstain from further discussion and the decision making process. Five Board Meetings were held during the financial year ended 31 December 2003 and details of the attendance of the directors are set out in Statement Accompanying Notice of Annual General Meeting on page 5.

Composition

The Board of Aikbee as at the date of this statement consists of nine (9) members with four (4) Independent Non-Executive Directors. There is compliance with the independent directors criteria of the MSEB Listing Requirements.

The Company is lead by a strong and experienced Board under a Chairman who is an Independent Non-Executive Director. The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authority. The Board has within it, professionals drawn from varied backgrounds; bringing in-depth and diversity in experience and perspectives to the Group’s business operations.

At all Board Meetings, the Board is ensured of a balanced and independent view at all times largely due to the presence of its Independent Non-Executive Directors.
STATEMENT ON CORPORATE GOVERNANCE

(Pursuant to Paragraph 15.26 of the Listing Requirements of the MSEB)

Supply of Information

All Directors are provided with an agenda and a set of Board papers prior to the Board Meetings. The Board papers are comprehensive and encompass all aspects of the matters being considered, enabling the Board to look at both quantitative and qualitative factors so that informed decisions are made. Directors have access to all information within the Company and the Group whether as a full Board or in their individual capacity, in the furtherance of their duties.

All of the Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed. The Board recognizes that the Chairman is entitled to the full support of the Company Secretary and the Directors may seek external professional advice if required by them.

Re-election of Directors

In accordance with the Company’s Articles of Association, all Directors who are appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments. The Articles also provided that all directors shall retire from office once at least in every three years and they may offer themselves for re-election.

BOARD COMMITTEE

The Board of Directors has established a number of Board Committees to undertake specific responsibilities. These include the Audit Committee, Nomination Committee and Remuneration Committee. Each committee operates within clearly defined terms of reference and is chaired by an Independent Non-Executive Director.

NOMINATION COMMITTEE

The Code endorses as good practice, a formal and transparent procedure for the appointment of new directors to the Board, with a Nomination Committee making recommendations to the Board. Accordingly, the Board has set up a Nomination Committee on 26 November 2001. The Nomination Committee comprising exclusively of Independent Non-Executive Directors. The role of the Nomination Committee is to recommend the candidates with the optimal mix of qualifications, skills and experience to the Board. The proposed new appointments will be deliberated on by the full Board based upon a formal report prepared by the Committee.

The members of the Nomination Committee are as follows:

Mr. Bong Chan Loong, Chairman
Independent Non-Executive Director

Dato’ Mohd Nor Bin Abdul Wahid
Independent Non-Executive Director

Dato’ Tan Yin Wah
Independent Non-Executive Director
STATEMENT ON CORPORATE GOVERNANCE

(Pursuant to Paragraph 15.26 of the Listing Requirements of the MSEB)

REMUNERATION COMMITTEE

In compliance with the Listing Requirements, a Remuneration Committee was established by the Board on 26 November 2001, comprising mainly of Independent Non-Executive Directors. The Committee is responsible for making recommendations to the Board the remuneration package and benefits for each Executive Director. Generally, the remuneration of each Director reflects the level of responsibility and commitment that goes with the Board’s membership. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to the individual and the Group performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

The Remuneration Committee shall recommend to the Board the framework of the Executive Directors’ remuneration and the remuneration package for each Executive Director. The Committee also reviews and recommends for the Board’s approval all other Directors’ fees.

The members of the Remuneration Committee are as follows:

Dato’ Tan Yin Wah, Chairman
Independent Non-Executive Director

Dato’ Mohd Nor Bin Abdul Wahid
Independent Non-Executive Director

Mr. Bong Chan Loong
Independent Non-Executive Director

Mr. Lim Yen Siew @ Tan Sit Seng
Executive Director

Mr. Low Chee Hock
Executive Director

DIRECTORS’ REMUNERATION

The aggregate remuneration of Directors for the financial year ended 31 December 2003 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fees/Salary RM'000</th>
<th>Other Emoluments RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>664</td>
<td>108</td>
<td>772</td>
</tr>
<tr>
<td>Non-Executive</td>
<td>110</td>
<td>-</td>
<td>110</td>
</tr>
</tbody>
</table>

The number of Directors whose total remuneration falls within the following bands for the financial year ended 31 December 2003 is as follows:

<table>
<thead>
<tr>
<th>Range of Remuneration</th>
<th>Executive</th>
<th>Non-Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below RM50,000</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>RM50,001 to RM100,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>RM100,001 to RM150,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>RM150,001 to RM200,000</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>RM200,001 to RM250,000</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>
SHAREHOLDERS

The Group recognises the importance of an effective communications channel between the Board, shareholders and general public. The annual reports, quarterly results, press releases and any announcements on material corporate exercises are the primary modes of disseminating information on the Group’s business activities and financial performance.

The Annual General Meeting is still the principal avenue for shareholders to communicate and engage in dialogue with the Board and the external auditors of Aikbee. Shareholders are notified of the meeting and provided with a copy of the Company’s Annual Report before the meeting. All shareholders are encouraged to attend the Company’s Annual General Meeting. During the meeting, the Board is prepared to respond to all queries and provide sufficient clarification on issues and concerns raised by the shareholders.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors recognise the responsibility to present a fair assessment of the Group’s position and prospects in all their reports to the shareholders, investors and Regulatory Authorities. In addition to providing financial report on an annual basis, the Company also presents the Group’s financial results on a quarterly basis via public announcements.

Internal Controls

Information on the Group’s internal control is presented in the Statement on Internal Control set out on page 14.

Relationship with Auditors

The Company maintains a transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. From time to time, the auditors highlighted to the Audit Committee and the Board on matters that require the Board’s attention.

The role of the Audit Committee in relation to the external auditors is set out in the Report on Audit Committee on pages 16 to 18.
BOARD’S RESPONSIBILITY

The Board has overall responsibility for the Group’s system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board’s policies on risk and control.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and thus internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY PROCESSES

The Board confirms that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group. The control process has been in place for the financial year under review and up to date of approval of the annual report and financial statements.

The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication – Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The key processes that the directors have established in reviewing the adequacy and integrity of the system of internal control, are as follows:

• The Group has defined delegation of authority with a clear line of responsibility, authority and accountability. It sets out the Board’s attitude to risks in the achievement of the business objectives. The line of responsibility and level of authority are periodically reviewed by the Board.

• The Board receives and reviews regular reports from the management on key business performance indicators, operational, legal and regulatory matters.

• To assist the Board in fulfilling its role, the Audit Committee in its advisory capacity is established with specific terms of reference which include the overseeing and monitoring of the Group’s financial reporting system and the internal and external audit processes.

• The Audit Committee, on behalf of the Board, regularly reviews and holds discussion with the management on actions taken on internal controls identified by the external auditors, management and appointed consultant.

• The internal audit functions have been outsourced to a consultancy firm. The results and findings from the review of the state of internal controls and significant risks faced by the Group were presented to the Board and Audit Committee. Where significant weaknesses have been identified as a result of the review, improvement and corrective measures are recommended to strengthen controls.

The Statement is made in accordance with a resolution of the Board of Directors dated 21 May 2004.
As required by the Companies Act, 1965 the Directors are responsible for the preparation of the financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group at the end of the financial year.

In preparing the financial statements, the Directors have:

• adopted suitable accounting policies and adopted them consistently;
• made judgements and estimates that are prudent and reasonable;
• ensured that applicable accounting standards have been followed; and
• prepared the financial statements on the going concern basis, unless they consider that to be inappropriate

The Directors have prepared the annual financial statements in compliance with the Companies Act, 1965.
COMPOSITION

Chairman

Dato’ Mohd Nor Bin Abdul Wahid Independent Non-Executive Director

Members

Mr. Tan Aik Hong Managing Director
Mr. Bong Chan Loong Independent Non-Executive Director

TERMS OF REFERENCE OF AUDIT COMMITTEE

Membership

1. The Audit Committee shall be appointed by the Board of Directors from among their numbers which fulfils the following requirements:

   (a) the Audit Committee must be composed of no fewer than 3 members;
   (b) a majority of the Audit Committee must be independent directors; and
   (c) at least one member of the Audit Committee:
       (i) must be a member of the Malaysian Institute of Accountants; or
       (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:
           (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
           (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.

2. No alternative director shall be appointed as a member of the Audit Committee.

3. The members of an Audit Committee shall elect a chairman from among their number who shall be an independent director.

4. 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 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 and performance of an Audit Committee and each of its members should be reviewed by the Board at least once every three years.

Quorum

The quorum for a meeting shall not be less than three and the majority of members present must be independent directors.
Authority

The Committee is authorised by the Board of Directors to:-

1. have authority to investigate any matter within its terms of reference;
2. have resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
5. be able to obtain independent professional or other advice; and
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Duties and Responsibilities

1. Review the following and report the same to the Board of Directors of the Company:-

   (a) with the external auditor, the audit plan;
   (b) with the external auditor, his evaluation of the system of internal controls;
   (c) with the external auditor, his audit report;
   (d) the assistance given by the employees of the Company to the external auditor;
   (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
   (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
   (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on;
      (i) any changes in or implementation of major accounting policy changes;
      (ii) major judgemental areas;
      (iii) significant and unusual events; and
      (iv) compliance with the accounting standards and other legal requirements;
   (h) 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;
   (i) any letter of resignation from the external auditors of the Company; and
   (j) whether there is reason (supported by ground) to believe that the Company’s external auditor is not suitable for reappointment.

2. Recommend the nomination of a person or persons as external auditors

Meetings

1. Other directors and employees attend any particular Audit Committee meeting only at the Audit Committee’s invitation, specified to the relevant meeting.

2. The Company Secretary shall be the Secretary of the Committee.
3. Meetings shall be held not less than four times a year. However, at least once a year the Committee shall meet with the external auditors and upon the request of the external auditors, the Chairman of the Committee shall convene a meeting if they consider that one is necessary.

4. The Secretary is responsible for the co-ordination of administrative details including calling of meetings, voting and keeping of minutes.

5. The Secretary shall circulate the confirmed minutes of meetings of the Committee to all members of the Board.

During the financial year ended 31 December 2003, the members of the Audit Committee met five (5) times, on 28 February 2003, 25 April 2003, 30 May 2003, 25 August 2003 and 21 November 2003 respectively.

The details of attendance are as follows:

<table>
<thead>
<tr>
<th>Members</th>
<th>No. of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato’ Mohd Nor Bin Abdul Wahid</td>
<td>5/5</td>
</tr>
<tr>
<td>Mr. Tan Aik Hong</td>
<td>5/5</td>
</tr>
<tr>
<td>Mr. Bong Chan Loong</td>
<td>5/5</td>
</tr>
</tbody>
</table>

**SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE**

In line with the terms of reference of the Committee, activities carried out by the Committee during the financial year ended 31 December 2003 in discharging its duties and responsibilities included the review of:

(a) the report before the quarterly announcements to the MSEB. The reviews were held before the Board meetings at which the reports were to be approved. The Chairman of the Committee briefed the Board on issues and recommendations of the Committee thereon during the Board meetings;

(b) audited financial statements and annual report prior to submission to the Board of Directors for their perusal and approval;

(c) the reports prepared by a consultancy firm on Internal Audit Work which consists review of the state of internal controls and significant risks faced by the Group;

(d) the significant related party transactions within the Group and the Company;

(e) the audit plan of the External and Internal Auditors as to its nature and scope; and

(f) the external audit results, audit reports, management letter and response from Management.

**INTERNAL AUDIT FUNCTION**

The Committee is aware of the fact that an independent and adequately resourced internal audit department is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The role of the internal audit function is to undertake independent and regular reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively. The internal audit function also reviewed the risk identification, risk evaluation and control processes implemented by the management to manage such risks.

The internal audit function has been outsourced to a consultancy firm.