

Contents

1	GREAT VITALITY
2	Financial Highlights of the Group
2	Five-Year Summary
4	Corporate Information
5	Directors' Profile
8	GREAT HEART
9	Chairman's Statement
11	Penyata Pengerusi
13	GREAT GROWTH
14	Statement on Corporate Governance
20	Statement on Internal Control
22	Audit Committee Report
26	Statement on Directors' Responsibilities
27	GREAT ENERGY
28	Financial Statements
67	Group Property Particulars
69	Analysis of Shareholdings
72	Notice of Annual General Meeting
75	Statement Accompanying Notice of Annual General Meeting Proxy Form (Enclosed)

Great Vitality



Financial Highlights of the Group

	2004 RM'000	2003 RM'000
Results of operation		
Sales	373,244	408,629
Pre-tax profit	17,378	24,091
After-tax profit	11,453	18,099
Financial Position		
Working capital	160,826	152,923
Net tangible assets	295,064	295,100
Total tangible assets	364,531	381,120
Paid-up capital	128,096	128,096
Shareholders' equity	316,870	318,215
Dividends		
Interim	6,404	4,611
Final (Proposed)	8,301	8,301
Cover (Times)	0.78	1.40
Per share		
Net tangible assets (in RM)	2.30	2.30
Earnings before tax (in sen)	13.57	18.81
Earnings after tax (in sen)	8.94	14.13
Dividend - Interim (net - in sen)	5.00 *	3.60
- Final (net - in sen)	6.48	6.48

* Tax exempt dividend

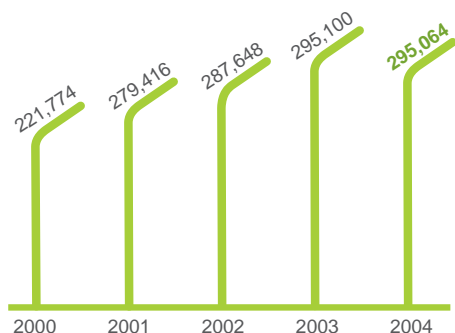
Five-Year Summary

	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Group Sales	446,379	466,188	446,196	408,629	373,244
Pre-tax profit	18,690	21,404	16,485	24,091	17,378
Net Tangible Assets	221,774	279,416	287,648	295,100	295,064
Total Dividends *	5,397	11,093	10,171	12,912	14,705

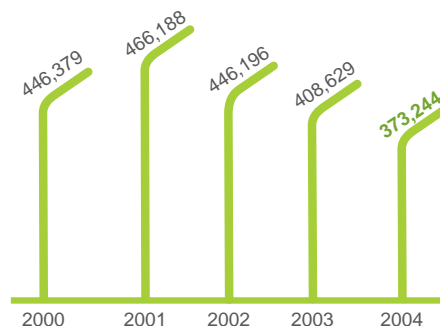
* Includes proposed dividend.

Five-Year Summary (cont'd)

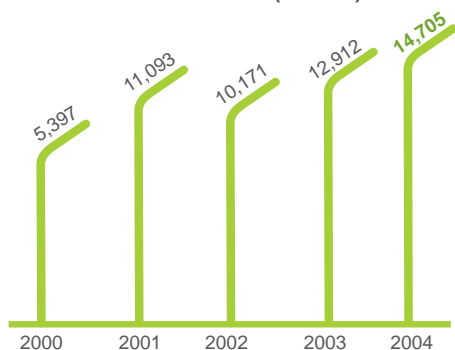
Net Tangible Assets (RM'000)



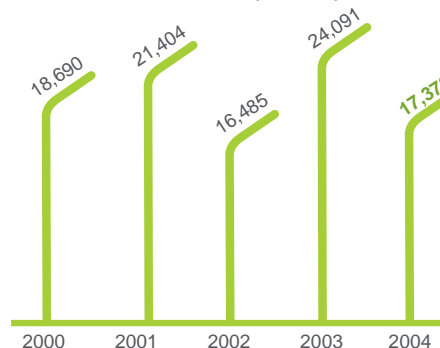
Group Sales (RM'000)



Total Dividends (RM'000)



Pre-Tax Profit (RM'000)



Financial Calendar

2004

18 June
2003 Final Dividend

1 September
2004 Interim Dividend Paid

31 December
Financial Year-End

2005

16 February
Announcement of
Year-End Results

4 April
Despatch of
Annual Report

27 April
Annual General
Meeting

8 June
2004 Final Dividend
Payment Date

Corporate Information

Directors

Philip Ng Chee Tat (*Chairman*)
Tjong Yik Min (*Deputy Chairman*)
Brigadier General (R) Dato' Yahya bin Yusof
Dato' Mohamed Nizam bin Abdul Razak
Dato' N. Sadasivan a/l N.N. Pillay
Razman Hafidz bin Abu Zarim

Audit Committee

Brigadier General (R) Dato' Yahya bin Yusof
(*Chairman*)
Dato' Mohamed Nizam bin Abdul Razak
Dato' N. Sadasivan a/l N.N. Pillay
Razman Hafidz bin Abu Zarim

Remuneration Committee

Dato' Mohamed Nizam bin Abdul Razak (*Chairman*)
Brigadier General (R) Dato' Yahya bin Yusof
Tjong Yik Min

Nomination Committee

Brigadier General (R) Dato' Yahya bin Yusof
(*Chairman*)
Dato' Mohamed Nizam bin Abdul Razak
Tjong Yik Min

Company Secretary

Sau Ean Nee

Auditors

PricewaterhouseCoopers

Bankers

Citibank Berhad
Standard Chartered Bank Malaysia Berhad
Malayan Banking Berhad

Solicitors

Raja, Darryl & Loh

Registrars

PFA Registration Services Sdn Bhd
1301, Level 13, Uptown 1,
No.1, Jalan SS21/58, Damansara Uptown,
47400 Petaling Jaya,
Selangor Darul Ehsan

Registered Office

No. 7, Jalan Tandang,
46050 Petaling Jaya,
Selangor Darul Ehsan
Tel: (603) 7787 3888
Fax: (603) 7781 3509
Email: info@yeos.com
Website: www.yeos.com

Stock Exchange Listing

Main Board of the Bursa Malaysia Securities Berhad

Directors' Profile

Mr Philip Ng Chee Tat

Chairman

Non-Independent / Non-Executive

Age: 47 years

Mr Philip Ng Chee Tat is a Singaporean and was appointed to the Board on 1 June 2002 and as Chairman of the Company on 1 December 2002.

He has a Degree in Civil Engineering, King's College, London University, a Master of Science in Technology and Policy and Master in City Planning, Massachusetts Institute of Technology.

Since 1986, Mr Ng has been a Director of Sino Land, Hong Kong, engaging in real estate activities in Hong Kong and China. In 1991, he was appointed Chief Executive of Far East Organization, Singapore.

Mr Ng was appointed as Deputy Chairman and Director of Yeo Hiap Seng Limited on 20 June 1996 and Chairman and Director of Orchard Parade Holdings Limited and Far East Organization Limited on 25 June 1993 and 1 July 1993 respectively.

Mr Ng attended 5 out of the 5 Board Meetings held in the year.

Mr Ng is the son of Mr Ng Teng Fong and Madam Tan Kim Choo, substantial shareholders of Yeo Hiap Seng Limited, the ultimate holding company of the Company.

Mr Ng has no conflict of interest with the Company and has not been convicted for offences within the past 10 years.

Mr Tjong Yik Min

Deputy Chairman

Non-Independent / Non-Executive

Age: 53 years

Mr Tjong Yik Min is a Singaporean and he was appointed to the Board as a Director on 22 July 2002 and as Deputy Chairman on 23 January 2003.

He holds a Bachelor of Engineering (Hons) (Class1) (Industrial Engineering) degree from the University of Newcastle, Australia, a Bachelor of Commerce (Economics) degree from the University of Newcastle, Australia and a Masters in Science (Industrial Engineering) degree from the University of Singapore.

Mr Tjong currently holds the position of President and Chief Operating Officer of Yeo Hiap Seng Limited, Singapore. Prior to this, he was the Executive Director and Group President of Singapore Press Holdings. Mr Tjong has also served in various capacities in the Singapore Civil Service.

Mr Tjong sits on the Remuneration and Nomination Committees.

Mr Tjong attended 5 out of the 5 Board meetings held in the year.

He has no family relationship with any other director/major shareholders of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past 10 years.

Directors' Profile (cont'd)

Brigadier General (R) Dato' Yahya bin Yusof

Director

Independent / Non-Executive

Age: 69 years

Brigadier General (R) Dato' Yahya bin Yusof is a Malaysian and he was appointed to the Board on 22 August 1991.

He graduated from Royal Military Academy Sandhurst, United Kingdom; Defence Services Staff College, Wellington, India; Joints Services Staff College, Canberra, Australia and Senior International Defence Management Course at USS Navy Post Graduate College, USA Monterey, California.

BG Dato' Yahya joined the army in 1955 and during his 36 years in service he held many appointments in the military, police and civilian positions. He served in the Defence Services Military Attaché in the Philippines from 1972 to 1974. His last position before retirement was as Commander of the 11th Brigade in Kuala Lumpur.

He is the Chairman of the Nomination and the Audit Committees. He is also a member of the Remuneration Committee.

BG Dato' Yahya attended 5 out of the 5 Board meetings held in the year.

He has no family relationship with any other director/major shareholders of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past 10 years.

Dato' Mohamed Nizam bin Abdul Razak

Director

Independent / Non-Executive

Age: 47 years

Dato' Mohamed Nizam bin Abdul Razak is a Malaysian and he was appointed to the Board on 5 November 2002.

He graduated with a Bachelor of Arts (Oxon) degree in Politics, Philosophy and Economics from the Oxford University, United Kingdom.

Dato' Nizam was attached to Bumiputra Merchant Bankers Berhad from 1981 to 1984 and to PB Securities Sdn Bhd from 1984 to 1998. He presently sits on the boards of Mamee-Double Decker (M) Berhad, Dolomite Corporation Berhad, Delloyd Ventures Berhad, Hiap Teck Venture Berhad, Kamdar Group (M) Berhad, Synergy Track Berhad and Deutsche Bank (M) Berhad. He also serves on the boards of several private limited companies engaged in a wide range of activities and is actively involved in several charitable foundations.

Dato' Nizam is the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Dato' Nizam attended 5 out of the 5 board meetings held in the year.

He has no family relationship with any other director/major shareholders of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past 10 years.

Directors' Profile (cont'd)

Dato' N. Sadasivan a/l N.N. Pillay

Director

Independent / Non-Executive

Age: 64 years

Dato' N. Sadasivan a/l N.N. Pillay is a Malaysian and he was appointed to the Board on 13 August 2004.

Dato' N. Sadasivan, graduated with a Bachelor of Arts (Hons) in Economics from the University of Malaya in 1963. He began his career as an Economist with the Economic Development Board, Singapore in 1963 and was subsequently promoted to the position of Chief of the Industrial Facilities Division in 1965.

In 1968, he joined the Malaysian Industrial Development Authority (MIDA) and served as the Deputy Director General from 1976 to 1983. From 1984 until his retirement in 1995, he was the Director-General of MIDA.

He presently sits on the board of several private and public listed companies namely Chemical Company of Malaysia Berhad, Petronas Gas Berhad, APM Automotive Holdings Berhad, Leader Universal Holdings Berhad, Malaysian Airline System Berhad and Malaysian Industrial Development Finance Berhad. He is also a director of Bank Negara Malaysia and Pengurusan Danaharta Nasional Berhad.

Dato' N. Sadasivan attended 1 out of the 5 board meetings held in the year.

He has no family relationship with any other director/major shareholders of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past 10 years.

Encik Razman Hafidz bin Abu Zarim

Director

Independent / Non-Executive

Age: 49 years

Encik Razman Hafidz bin Abu Zarim is a Malaysian and he was appointed to the Board on 1 March 2005.

Encik Razman Hafidz graduated with a Joint-Honours degree in Economics and Accounting, BS (Econ), from University College, Cardiff, University of Wales. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

He started his career with Touche Ross & Co., Chartered Accountants, London, England and later joined Hacker Young, Chartered Accountants, London, England, where he was admitted as an Audit Partner.

In 1989, he returned to Malaysia as an Audit Partner of Price Waterhouse ("PW") and later Partner-in-Charge of PW's Management Consulting Practice and became an Executive Committee member. In 1994, he established Norush Sdn Bhd, an investing and business advisory firm, where he remains as Chairman.

He sits on the boards of Courts Mammoth Berhad, Toyochem Corporation Berhad, eBworx Berhad, Mithril Berhad, JP Morgan Chase Bank Berhad, Malaysian Oxygen Berhad and Matsushita Electric Company (Malaysia) Berhad. He also holds directorships in several other private limited companies. He was the Chief Executive Officer of Malaysian Assurance Alliance Bhd from May 2000 until June 2002.

Encik Razman Hafidz is a member of the Audit Committee.

He has no family relationship with any other director/major shareholders of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past 10 years.

Great Heart



Chairman's Statement

On behalf of the Board of Directors of Yeo Hiap Seng (Malaysia) Berhad, I present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2004.

Review of Financial Performance

The financial year ended 31 December 2004 saw the Group achieving revenue of RM373.2 million and pre-tax profit of RM17.4 million, a decrease of 9% and 28% respectively as compared to those recorded in the preceding financial year. For the year under review, core brand beverage sales increased by 7%, driven by growth in Justea. However, this increase could not offset the larger reduction in sales due to discontinuation of Sweetened Condensed Milk and expiry of the Pepsi bottling agreement.

Lower revenue and exceptional item relating to one-time charge on closure of Sweetened Condensed Milk and Pepsi production, provision for write-offs for obsolete and idle assets, and provision for receivable write-offs caused the net profit to decline from RM18.1 million in financial year 2003 to RM11.5 million in financial year 2004.

Net cash balance improved by RM23.5 million from RM68.3 million as at 31 December 2003 to RM91.8 million as at 31 December 2004.

Operation Review

The Group continued to maintain its position as market leader in non-carbonated drinks. Yeo's Justea was an outstanding product for the Group this year. Boosted by new launches of exciting flavours, vibrant packaging designs and refreshing taste profile, the Justea range contributed 6% of revenue. Justea won the Gold Brand Equity Award in the RM50 million category. The Award is conferred by Brand Equity, a magazine that recognises the performance of both local and international brands operating in Malaysia.



Chairman's Statement (cont'd)

In line with our focus to build our core brands, during the year, we carried out nationwide sales and promotional activities under the "Great Health Great Taste" campaign.

The Group reviewed the manufacturing operation in the Shah Alam plant and decided to shut down the Sweetened Condensed Milk plant in April 2004 because it is more cost effective to out-source the production than to produce in-house. As a result of the expiry of Pepsi bottling agreement, we have also closed down two bottling lines in Kuching in July 2004.

Moving forward, we will focus on building our core brands and reviewing our operation to enhance performance.

Human Resources

Our staff is our most important asset and we continue to inculcate into the workforce the right mindset, knowledge and skill to prepare them for the challenges ahead through continuous-learning programmes conducted throughout the year.

The Board

On behalf of the Board, I thank Mr Winston Mah and Mr Tham Chong Kong for their contributions to the Group during their tenure as Directors. The Board also warmly welcomes our newly appointed directors, Dato' N. Sadasivan a/l N. N. Pillay and En. Razman Hafidz bin Abu Zarim.

Dividend

For the year ended 31 December 2004, an interim dividend of 5 sen per RM1.00 share (tax exempt) was declared and paid out to the shareholders on 1 September 2004. The Board is recommending a final dividend of 9 sen per share less income tax, making a total dividend of 14 sen per RM1.00 share for the year under review.

The Year Ahead

The Food and Beverage industry continues to be highly competitive. We will continue to focus on brand building, improving efficiency and managing cost besides launching new products. The Board is confident that the Group will perform better in 2005.

Acknowledgement

The success of the Group rests primarily upon the support of our customers, business associates, the shareholders and of course our dedicated and committed staff.

On behalf of the Board, I would like to express our gratitude to all of you.

Ng Chee Tat, Philip
Chairman





Penyata Pengerusi

Bagi pihak Lembaga Pengarah Yeo Hiap Seng (Malaysia) Berhad, saya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit bagi Kumpulan untuk tahun kewangan berakhir 31 Disember 2004.

Kajian Prestasi Kewangan

Tahun kewangan berakhir 31 Disember 2004 menyaksikan Kumpulan mencatatkan perolehan sebanyak RM373.2 juta dan keuntungan sebelum cukai sebanyak RM17.4 juta, masing-masing susut sebanyak 9% dan 28% berbanding yang dicatatkan pada tahun kewangan sebelumnya. Bagi tahun kewangan yang dikaji, jualan minuman jenama teras meningkat sebanyak 7%, yang dirangsang oleh pertumbuhan jualan Justea. Bagaimanapun peningkatan ini tidak dapat menampung kemerosotan jualan yang lebih besar berikutan langkah menghentikan pengeluaran Susu Pekat Manis dan luputnya perjanjian pembotolan Pepsi.

Pengurangan perolehan dan perkara luar biasa berkaitan caj bagi penutupan pengeluaran Susu Pekat Manis dan Pepsi, peruntukan bagi meranapkan aset usang dan terbiar, dan peruntukan bagi perancangan boleh terima telah menyebabkan keuntungan bersih berkurangan daripada RM18.1 juta pada tahun kewangan 2003 kepada RM11.5 juta pada tahun kewangan 2004.

Baki tunai bersih bertambah sebanyak RM23.5 juta daripada RM68.3 juta pada 31 Disember 2003 kepada RM91.8 juta pada 31 Disember 2004.

Kajian Operasi

Kumpulan terus mengekalkan kedudukannya sebagai peneraju pasaran dalam sektor minuman tidak berkarbonat. Yeo's Justea merupakan produk cemerlang bagi Kumpulan pada tahun ini. Dirangsang dengan pelancaran baru perisa-perisa menarik, rekabentuk pek bersemangat dan profil rasa segar, produk Justea menyumbang sebanyak 6% kepada perolehan. Justea telah memenangi Anugerah Jenama Emas bagi kategori RM50 juta. Ia dianugerahkan oleh Brand Equity, majalah yang mengiktiraf prestasi jenama tempatan dan antarabangsa yang beroperasi di Malaysia.

Penyata Pengerusi (sambungan)

Sejajar dengan tumpuan usaha kami untuk membina jenama teras, pada tahun berkenaan, kami telah melakukan kegiatan jualan dan promosi di seluruh negara di bawah kempen "Great Health Great Taste".

Kumpulan telah mengkaji operasi pengeluaran di kilang Shah Alam dan telah mengambil keputusan untuk menutup kilang Susu Pekat Manis pada April 2004 kerana pengeluaran oleh pihak luar lebih menjimatkan kos berbanding dengan pengeluaran sendiri. Berikutan luputnya perjanjian pembotolan Pepsi, kami juga telah menutup dua operasi pembotolan di Kuching pada Julai 2004.

Selain itu, kami akan menumpukan usaha bagi membina jenama-jenama teras kami dan mengkaji operasi kami bagi meningkatkan prestasi.

Sumber Manusia

Kakitangan kami merupakan aset terpenting dan kami akan terus berusaha menyemaikan pemikiran yang betul, ilmu pengetahuan dan kemahiran kepada tenaga kerja sebagai persediaan mengharungi cabaran masa depan melalui program pembelajaran berterusan yang dijalankan sepanjang tahun berkenaan.

Lembaga Pengarah

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada Encik Winston Mah dan Encik Tham Chong Kong atas sumbangan kepada Kumpulan sepanjang perkhidmatan mereka sebagai Pengarah. Lembaga Pengarah juga ingin mengucapkan selamat datang kepada Pengarah-Pengarah yang baru dilantik iaitu Dato' N. Sadasivan a/l N.N. Pillay dan Encik Razman Hafidz bin Abu Zarim.

Dividen

Bagi tahun kewangan berakhir 31 Disember 2004, dividen interim sebanyak 5 sen sesaham (dikecualikan cukai) telah diisytiharkan dan dibayar kepada para pemegang saham pada 1 September 2004. Lembaga Pengarah mencadangkan dividen akhir sebanyak 9 sen sesaham ditolak cukai, menjadikan jumlah dividen sebanyak 14 sen sesaham bagi tahun yang dikaji.

Prospek Tahun Hadapan

Industri Makanan dan Minuman kekal dalam keadaan bersaing hebat. Kami akan terus memberi tumpuan kepada usaha membina jenama, meningkatkan kecekapan dan menguruskan kos di samping melancarkan produk baru. Lembaga Pengarah yakin bahawa Kumpulan akan mencatatkan prestasi yang lebih baik pada tahun 2005.

Penghargaan

Kejayaan Kumpulan bergantung terutamanya pada sokongan para pelanggan, sekutu-sekutu niaga, pemegang saham dan dedikasi serta komitmen semua kakitangan.

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada anda semua.

Ng Chee Tat, Philip
Pengerusi



Great Growth



Statement on Corporate Governance

INTRODUCTION

The Board of Directors of Yeo Hiap Seng (Malaysia) Berhad ("the Company") are committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Company. The ensuring paragraphs set out the manner in which the Group has applied the principles set out in the Malaysian Code of Corporate Governance ("the Code") and the extent of its compliance with the best practice of the Code for the year ended 31 December 2004.

The Board of Directors

The Board has the overall responsibility for corporate governance, establishing goals, strategic direction and overseeing the investments of the Company.

The Board currently has six members, comprising two Non-Independent Non-Executive Directors and four Independent Non-Executive Directors. The Board's composition represents a wealth of knowledge, skills and expertise which brings an independent judgement and considerable knowledge to the Board's discussion. A brief profile of each Director is presented on pages 5 to 7 of this Annual Report.

There is a balance in the Board with the presence of four Independent Non-Executive Directors of caliber and collectively possess significant experience and expertise in objective and independent decision-making. Non-Executive Directors play key supporting roles, contributing their knowledge and experience towards the formulation of policies and in the decision-making process. Where a potential conflict of interest may arise, it is mandatory practice for the director concerned to declare his interest and abstain from the decision-making process.

The Board meets on a scheduled basis, at least five times a year. Additional meetings will be convened as and when required. During the year, five (5) Board Meetings were held.

The Attendance of Directors is as follows:-

Name of Directors	Number of Meetings Attended
Philip Ng Chee Tat	5/5
Tjong Yik Min	5/5
Brigadier General (R) Dato' Yahya bin Yusof	5/5
Dato' Mohamed Nizam bin Abdul Razak	5/5
Dato' N. Sadasivan a/l N.N. Pillay	1/1*
Razman Hafidz bin Abu Zarim	_**

* There was one (1) Board meeting held since his appointment on 13 August 2004.

** He was appointed after the financial year ended 31 December 2004, on 1 March 2005.

Record of Attendance of Directors who resigned/retired during the year is as follows:-

Name of Directors	Number of Meetings Attended
Winston Mah Yat Kong	4/4***
Tham Chong Kong	_****
Chan Wai Ming	3/3*****

*** There were four (4) Board meetings held before his resignation on 31 December 2004.

**** No meeting was held during the period between his appointment on 8 June 2004 and resignation on 13 August 2004.

*****There were three (3) Board meetings held before his retirement on 22 April 2004.

Statement on Corporate Governance (cont'd)

Supply of Information

All Directors are provided with reports and other relevant information on a timely manner, covering various aspects of the Group's operations and performance. They are also provided with an agenda and a set of board papers pertaining to agenda items prior to Board meetings for consideration and where appropriate, for decision. This is issued in sufficient time to enable the Directors to consider the matter to be deliberated and to obtain further explanation, where necessary, in order to be briefed properly before the Meeting. The Board has unrestricted access to all staff for any information pertaining to the Group's affairs. In addition, the Board has access to the advice and services of the Company Secretary and may seek professional advice from external consultants at the Company's expense should the need arise.

At the Board meetings, the Management updates the Board on the business and market factors relevant to the Group.

Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees which were set up to assist the Board in certain area of decisions are:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Committee.

The composition and terms of reference to the Audit Committee may be found on pages 22 to 25.

The Nomination Committee

The terms of reference of the Nomination Committee ("NC") adopted by the Board are as follows:

- To recommend appropriate candidates to the Board.
- To determine annually whether or not a director is independent.
- To decide whether or not a director is able and has been adequately carrying out his/her duties based on the following criteria:
 - Attendance
 - Preparedness
 - Participation
- To evaluate and propose objective performance criteria for the Board. Performance criteria that may be used include return on assets (ROA), return on equity (ROE), economic value added (EVA), return on sales, return on investment and etc.
- To review the Board required mix of skills and experience and other qualities that Directors should bring to the Board.

Statement on Corporate Governance (cont'd)

The Nomination Committee comprises the following members:

Member	Status
Brigadier General (R) Dato' Yahya bin Yusof (Chairman)	Non-Executive / Independent
Dato' Mohamed Nizam bin Abdul Razak	Non-Executive / Independent
Tjong Yik Min	Non-Executive / Non-Independent

The Remuneration Committee

The terms of reference of the Remuneration Committee (RC) are as follows:

- Made up of a composition of Non-Executive Directors, the majority of whom are independent of management and free from any business or other relationship, which may materially interfere with the exercise of their independent judgment. This ensures transparency in the development of the remuneration framework and minimises the risk of any potential conflict of interest.
- Chaired by an Independent Non-Executive Director.
- RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.
- RC recommends to the Board a framework of remuneration for the Board and key executives and determines specific remuneration packages for each Executive Director and the CEO if the CEO is not an Executive Director.
- The determination of remuneration packages of Non-Executive Directors is the matter of the Board and individuals concerned should abstain from discussion of their own remuneration.
- No Director should be involved in deciding his own remuneration.
- The RC covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind.

The Remuneration Committee comprises the following members:

Member	Status
Dato' Mohamed Nizam bin Abdul Razak (Chairman)	Non-Executive / Independent
Brigadier General (R) Dato' Yahya bin Yusof	Non-Executive / Independent
Tjong Yik Min	Non-Executive / Non-Independent

Directors' Training Programme

All Directors of the Board have successfully completed the Mandatory Accreditation Programme organised by the Research Institute of Investment Analysts Malaysia (RIIAM), now known as Bursa Malaysia Training Sdn Bhd, an affiliate of the Bursa Malaysia Securities Berhad. 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 and to keep abreast with development in the market place.

Statement on Corporate Governance (cont'd)

Re-Election of the Directors

In accordance with the Company's Articles of Association all Directors who are appointed by the Board are subject to election by shareholders at the first Annual General Meeting ("AGM") subsequent to their appointment. The Articles also require that in every subsequent year, one-third of the remaining Directors or the number nearest to one-third, shall submit themselves for re-election by rotation at each Annual General Meeting.

The names of Directors who are standing for re-election at the Thirty-First AGM of the Company to be held on 27 April 2005 are contained in the Statement Accompanying Notice of AGM.

Directors' Remuneration

The RC is responsible for reviewing and recommending the policy framework on the remuneration of Executive Director with the aim to attract, motivate and retain Directors of right caliber needed to run the Company successfully. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole.

For the year ended 31 December 2004, the aggregate remuneration of the Directors are as follows:-

	Directors' Fees (RM)	Salaries (RM)	Bonus (RM)	Benefits -In-Kind (RM)	Other Emoluments (RM)	Total (RM)
Executive	-	480,000	-	20,882	10,769	511,651
Non-Executive	43,500	-	-	-	266,667	310,167
	43,500	480,000	-	20,882	277,436	821,818

The number of Directors whose total remuneration fall within the following bands are as follows:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,000 and below	-	5
RM50,001 to RM100,000	-	2
RM100,001 to RM800,000	1	1
RM800,001 to RM850,000	-	-

RELATIONSHIP WITH SHAREHOLDERS

Relationship with Shareholders and Investors

The Group recognises the importance of establishing a direct line of communication with shareholders and investors through timely and thorough dissemination of information on the Group's performance and major developments via appropriate channels of communication.

Dissemination of information includes the distribution of Annual Report and relevant circulars, issuance of press release inclusive of quarterly financial performance of the Group to Bursa Malaysia Securities Berhad ("Bursa Securities") and the public as well as press conferences.

Statement on Corporate Governance (cont'd)

To further enhance the transparency and communication with the shareholders and all concerned, the Company maintains a website at www.yeos.com which shareholders and the public are invited to access for information on the Company. All announcements released to the Bursa Securities are also available on Bursa Securities website at www.bursamalaysia.com.

Annual General Meeting (AGM)

The Chairman and the Board encourage shareholders to attend and participate in the AGM held annually. The AGM is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications and comment on the Group's businesses and financial performance.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In addition to providing the financial report on an annual basis, the Company also presents the Group's financial results on a quarterly basis via public announcements. The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy, adequacy and completeness of all annual and quarterly reports, audited or unaudited, and approved by Board before releasing to the Bursa Securities.

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

A statement by Directors of their responsibility in preparing the financial statements is set out on page 26 of this Annual Report .

Internal Control

The Board of Directors acknowledges its responsibilities for maintaining a sound system of internal control and for reviewing its adequacy and integrity. The internal control system covers all business processes and is designed to safeguard the Company's assets and shareholders' interest. The Board is satisfied with the design of the existing internal control system, which would continue to be improved, reviewed and updated in line with changes in the operating environment.

The information of the Group's internal control is presented in the Statement of Internal Control set out on page 20 to 21 of this Annual Report.

Internal Audit Function

The Board outsourced its internal audit functions to a professional audit firm which assists the Audit Committee in monitoring and managing risks and internal control system of the Group.

Among the responsibilities of the Internal Auditors are as follows:

- To assist in reviewing the adequacy, integrity and effectiveness of the Group's internal control system for the Board to make an accurate Statement on Internal Control in the annual report;
- To support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and recommend a prioritised action plan to further enhance the internal control system; and
- To perform a risk assessment of the Group to identify the business processes within the Group that internal audit should focus on.

Statement on Corporate Governance (cont'd)

The Internal Audit Plan and, accordingly, the work of the internal audit team is designed based on the analysis of the risks faced by the Group in meeting its business objectives and takes into consideration the concerns of management. The Internal Audit Plan is reviewed and approved by the Audit Committee.

The Audit Committee provides necessary support to the internal auditors and management to ensure all major issues highlighted by the internal auditors are deliberated and satisfactorily resolved.

Relationship with External Auditors

Messrs. PricewaterhouseCoopers is the Company's external auditors. The Board through the establishment of an Audit Committee maintains a formal and transparent arrangement with the external auditors.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report on page 23 to 24 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

Material Contracts

There were no material contracts entered into by the Company and its subsidiary companies which involve directors' and major shareholders' interests subsisting at the end of the financial year ended 31 December 2004 or entered into since the end of the previous financial year.

Non-Audit Fees

The non-audit fees paid/payable to the external auditors, PricewaterhouseCoopers for the financial year ended 31 December 2004 for tax and consultancy services totalling RM42,300.

Statement on Internal Control

Introduction

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, the Board of Directors of Yeo Hiap Seng (Malaysia) Berhad is pleased to provide the following statement on the state of internal control of the Group for the financial year ended 31 December 2024, which has been prepared in accordance with the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Securities.

Internal Control

The Board acknowledges its responsibilities in maintaining a sound system of internal control, and for reviewing its adequacy and integrity in supporting the achievement of YHS Group's strategic goals and business objectives, whilst safeguarding its assets and the public's capital.

The nature of risks means that events may occur which would give rise to unanticipated or unavoidable losses and because of the limitation that are inherent in any system of internal control, the Board recognises that such systems of internal control are designed to manage and control risks rather than eliminate the risks of failure to achieve its business objective. Accordingly, it should be noted that the systems of internal control could therefore only provide reasonable and not absolute assurance of effectiveness against the risk of material errors, fraud or losses.

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

- **Board Committees**
Clear definitions of the functions and responsibilities of the various committees of the Board of Directors.
- **Control Procedures**
Established policies, procedures and practices are in place to ensure clear accountabilities and control procedures for all business units. The policies and procedures are available and accessible by all employees via the Group's intranet.
- **Organisational Structure and Accountability Levels**
The Group has a well defined organisational structure with clear lines of accountability. The delegation of authority is properly documented and sets out the decisions that need to be taken and the appropriate authority levels of Management, including matters that require Board approval.
- **Reporting and Review**
The Group's management team carry out monthly monitoring and review of financial results and forecasts for all business units within the Group, including performance against the operating plans and annual budgets. The Group's management team meet regularly to monitor operational and financial performance as well as to formulate action plans to address any areas of concern.
- **Internal Audit**
The internal audit function is currently outsourced to an audit firm. The internal audit function assesses the effectiveness, adequacy and integrity of the systems of internal control of the Group. The internal audit team advises executive and operational management on areas for improvement. The findings are submitted to the Audit Committee, which in turn will review the findings with the management at its quarterly meetings. The internal audit team will subsequently follow-up to determine the extent of their recommendations that have been implemented. As such, the internal audit function provides assurance to the Board on the Group's systems of internal control.

Statement on Internal Control (cont'd)

The Audit Committee reports to the Board of Directors the activities of the internal audit function, significant findings and the necessary recommendations in relation to the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group.

- **Risk Management**

The Group's operations involve management of a wide range of risks. The Executive Committee, which comprises the Chief Executive Officer and the Senior Management Officers, is responsible for identifying business risks and in ensuring the implementation of appropriate systems to manage these risks. The Executive Committee conducts fortnightly meetings to discuss, review and monitor strategic and operational matters.

- **Conclusion**

The Board is of the view that there is a continuous process in evaluating and managing significant risks faced by the Group. There is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses to the Group for the financial year ended 31 December 2004. Because of the changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The Board continually evaluates and manages risks faced by the Group and regularly reviews the audit plan, to ascertain if risks are mitigated and well managed.

Audit Committee Report

Membership

The Audit Committee currently comprises the following members:

Chairman : Brigadier General (R) Dato' Yahya bin Yusof
Independent / Non-Executive

Members : Dato' Mohamed Nizam bin Abdul Razak
Independent / Non-Executive

Dato' N. Sadasivan a/l N.N. Pillay
Independent / Non-Executive

Razman Hafidz bin Abu Zarim
Independent / Non-Executive

Terms of Reference:

1. Terms of Membership

An independent Audit Committee exists to implement and support the functions of the Board.

The Audit Committee is appointed by the Board of Directors from amongst the Directors of the Company and consists of at least three members, the majority of whom must be independent directors and at least one member of the committee:-

- a. must be a member of the Malaysian Institute of Accountants (MIA); or
- b. has at least three years' working experience and
 - i. has passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - ii. is a member of one of the associations of accountants specified in Part II of the 1st schedule of the Accountants Act 1967; or
- c. fulfills such other requirements as prescribed by Bursa Malaysia Securities Berhad.

No alternate Director has been appointed as a member of the Audit Committee. The Chairman of the Audit Committee is elected among the members and is an Independent Director.

If a member of the Audit Committee resigns, dies or for any 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.

The terms of office and performance of the Audit Committee shall be reviewed by the Board of Directors at least once every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Audit Committee Report

2. Objectives

The primary objectives of the Audit Committee are:

- a. To assist the Board in discharging its responsibilities relating to the Group and the Company's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements; and
- b. To maintain through regularly scheduled meetings, a line of communication between the Board of Directors, senior management, internal auditors and external auditors.

3. Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be to review:

- a. With the external auditors, their audit plans;
- b. With the external auditors, their evaluation of the systems of internal controls;
- c. With the external auditors, their audit reports;
- d. The assistance given by the employees of the Company to the external auditors;
- 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 investigations undertaken and whether or not appropriate actions are 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. Changes in implementation of major accounting policy changes;
 - ii. Significant and unusual events; and
 - iii. Compliance with accounting standards and legal requirements;
- h. Any related party transactions that may arise within the Company or the Group;
- i. Any letter of resignation from the external auditors of the Company; and
- j. To consider the nomination of a person or persons as auditors together with such other functions as may be agreed by the Audit Committee and the Board of Directors.

Audit Committee Report (cont'd)

4. Authority

The Audit Committee shall:

- a. Have authority to investigate any matter within its terms of reference;
- b. Have the resources which are required to perform its duties;
- c. Have full and unrestricted access to any information pertaining to the Group and the Company;
- d. Have direct communication channels with the external auditors and person(s) carrying out the internal function activity;
- e. Be able to obtain professional or other advice; and
- f. Be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.

5. Activities of the Audit Committee

In line with the terms of reference, the Committee during the year ended 31 December 2004:

- a. reviewed the audit plans of the Company and the Group which were prepared by both the external and internal auditors;
- b. reviewed the audit reports of the Company and the Group prepared by the external and internal auditors, the major findings by the auditors and the management's responses thereto;
- c. reviewed the quarterly and annual reports of the Company and the Group and thereafter submitting them to the Board for consideration and approval;
- d. reviewed the findings of investigations conducted during the year and the management's responses thereto;
- e. reviewed the related party transactions; and
- f. considered and recommended to the Board for approval the audit fees payable to the internal and external auditors.

6. Meetings and Minutes

Audit Committee meetings are held not fewer than four times a year and the Internal Auditors and External Auditors will attend the meetings. Other members of the Board may attend the meetings upon the invitation of the Committee. At least once a year, the Committee shall meet the external auditors without any executive directors present. To form a quorum, a majority of members present must be independent directors. Minutes of each meeting shall be kept and distributed to each member of the Committee. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Company Secretary. Detailed audit reports by the internal auditor and the respective management responses are circulated to the members of the Committee before each meeting of the Committee at which the said reports are circulated.

Audit Committee Report (cont'd)

7. Members Record of Attendance during the year ended 31 December 2004

<u>Name of Directors</u>	<u>Number of Meetings Attended</u>
Brigadier General (R) Dato' Yahya bin Yusof (Chairman)	5/5
Dato' Mohamed Nizam bin Abdul Razak	5/5
Dato' N. Sadasivan a/l N.N. Pillay	1/1*
Razman Hafidz bin Abu Zarim	-**
Chan Wai Ming	2/3***

* There was one (1) Audit Committee Meeting held since his appointment on 13 August 2004.

** He was appointed after the financial year ended 31 December 2004, on 1 March 2005.

*** There were three (3) Audit Committee Meetings held before his retirement on 22 April 2004.

Statement On Directors' Responsibilities

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and the profit or loss of the Company and the Group for the financial year. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and in compliance with the provisions of the Act.

The Directors affirm that in preparing the financial statements for the year ended 31 December 2004 set out on pages 34 to 66, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group which enable them to ensure that the financial statements comply with the Act. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Great Energy

