

Audit Committee Report

The Board is pleased to present the report on the Audit Committee and its activities during the financial year ended 31 December 2005.

COMPOSITION AND MEETINGS

The Audit Committee was established by the Board and comprises three (3) directors, the majority of whom are independent. During the financial year there were 4 Audit Committee meetings held and details of attendance are as follows:

Audit Committee Members	No. of meetings attended
Kua Hwee Sim Chairman/Independent and Non-Executive Director (Appointed on 23 June 2006)	n/a
Dato' Dr Ridzuan bin Mohd Akil Independent and Non-Executive Director	4/4
Sheik Sharufuddin bin Sheik Mohd Non Independent and Non-Executive Director (Appointed on 23 June 2006)	n/a

TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:

Membership

1. The Committee members shall be appointed by the Board from among its numbers and their period of appointment shall be concurrent with their tenure on the Board.
2. The Committee shall comprise of not less than three members, the majority of whom are independent non-executive directors.
3. The Committee members shall elect a Chairman from amongst themselves who shall be an independent non-executive director.
4. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and:
 - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967, or
 - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
5. No alternate director shall be appointed as a Committee member.
6. The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
7. If a Committee member retires or resigns or for any reason ceases to be a member with the result that the number of members is reduced to below three, the Board 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.

Audit Committee Report (contd.)

Duties and Responsibilities

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as external auditors.
2. To discuss with the external auditor prior to the commencement of audit, the nature and scope of the audit, the audit plan and ensure co-ordination where more than one audit firm is involved.
3. To review the assistance extended by the employees to the external auditor.
4. To review the quarterly, half-yearly and year-end financial statements prior to the approval of the board, focusing on:
 - the going concern assumption
 - compliance with accounting standards and other legal and regulatory requirements
 - any changes in the accounting policies and practices
 - significant issues arising from the audit
5. To discuss problems and reservations arising from the interim and final audits, and any significant matter the external auditor may wish to discuss, where necessary, in the absence of management or any executive board member.
6. To review the external auditor's management letter, response from the management and the audit report.
7. To do the following with the internal audit function:
 - Review 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.
 - Review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function.
 - Review and evaluate the effectiveness of the system of internal controls jointly with the external auditors.
 - Review any appraisal or assessment of the performance of members of the internal audit function.
 - Approve any appointment or termination of senior staff members of the internal audit function.
 - Keep itself informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.
8. To review any related party transaction and conflict of interest situation that may arise within the company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
9. To consider the major findings of internal investigations and management's response.
10. In compliance with paragraph 15.17 of the Bursa Malaysia Securities Berhad (BMSB) Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to the BMSB.
11. To perform any other functions as authorised by the Board.
12. The Committee reports its findings and makes appropriate recommendations for the Board's consideration and approval.

Authority

The Committee shall have the following authority as empowered by the Board:

1. Explicit authority to investigate any matter within its terms of reference.
2. The resources that are required to perform its duties.

3. Full and unrestricted access to all records, information, properties and personnel.
4. Direct communication channels with the external auditors and persons carrying out the internal audit function.
5. Able to obtain independent professional advice at the company's expense and to invite outsiders with the relevant experience and expertise to attend the Committee's meetings if it considers this necessary.
6. Able to convene meetings with the external auditors excluding the attendance of the executive members of the Committee whenever deemed necessary.

Meetings

1. The Committee shall meet not less than four times a year although additional meetings may be called at any time at the discretion of the Chairman of the Committee.
2. The quorum for Committee meetings shall be two members and the majority of the members present shall be independent non-executive directors.
3. The Company Secretary shall be in attendance at meetings of the Committee. Other board members, management and employees, external auditors may attend meetings upon the invitation of the Committee.
4. The Secretary shall send out notices of meetings, record the proceedings of meetings and circulate minutes among members of the Committee.

ACTIVITIES DURING THE YEAR

The Audit Committee carried out the following activities during the year:

- Reviewed the quarterly financial result prior to announcement to BMSB and recommend to the Board for approval.
- Reviewed the annual audited financial statements and recommend to the Board for approval.
- Reviewed and approved the external auditors scope of work and audit plan prior to the commencement of audit.
- Discussed with the external auditors on significant matters arising from their examination of the annual financial statements, including compliance with applicable accounting standards issued by the Malaysian Accounting Standard Board.
- Reviewed and approved the Group internal audit plan for the year
- Deliberated on the internal audit reports that were tabled and appraised management's response to the key audit observations and recommendations.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Internal Audit Department (GIAD) which reports to and assists the Audit Committee in discharging its duties and responsibilities.

The GIAD's scope of work covers all the operating divisions of the Group and they performed their duties in accordance with the annual audit plan that was approved by the Audit Committee. As part of its audit strategies, the GIAD conducted risk evaluations, reviewed the adequacy and effectiveness of the system of internal controls, reviewed the extent of compliance with the Group's policies and procedures and regulatory requirements and also reviewed the business processes with the aim of improving the Group's operations.

GIAD issued twenty audit reports during the financial year.