

AUDIT COMMITTEE REPORT

The Audit Committee presently comprises three members, majority of whom are independent non-executive directors as follows:

1. Kua Hwee Sim
2. Dato' Dr. Ridzuan bin Mohd Akil
3. Sheik Sharufuddin bin Sheik Mohd

Kua Hwee Sim is the Chairperson of the Audit Committee as appointed by the Audit Committee members.

ATTENDANCE OF MEETINGS

The Audit Committee convened four meetings during the financial year ended 31 December 2006 and details of attendance of each member are as follows:

AUDIT COMMITTEE MEMBERS

	Dates of Meetings			
	20 Feb	24 Apr	10 Aug	13 Nov
Kua Hwee Sim (appointed on 23 Jun'06)	n/a	n/a	√	√
Dato' Dr. Ridzuan bin Mohd Akil (ceased on 21 Feb'06; appointed on 23 Jun'06)		n/a	√	√
Sheik Sharufuddin bin Sheik Mohd (appointed on 23 Jun'06)	n/a	n/a	√	√
Choong Show Tong (appointed on 26 Jan'06; ceased on 7 Jun'06)	√	√	n/a	n/a
Yoong Nim Chor (appointed on 21 Feb'06; ceased on 7 Jun'06)	n/a	√	n/a	n/a
Umar bin Abdul Hamid (appointed on 23 Aug'05; ceased on 7 Jun'06)	√	√	n/a	n/a
C W Toh (appointed on 8 Jun'05; ceased on 7 Jun'06)	√		n/a	n/a
Nurolamin bin Abas (appointed on 8 Jun'05; ceased on 7 Jun'06)	√	√	n/a	n/a

√ - attended the meeting

n/a - not applicable

The Chief Financial Officer and the Head of Internal Audit were invited to attend the audit committee meetings. The external auditors were also invited to attend three of the meetings.

SUMMARY OF ACTIVITIES

The Audit Committee carried out the following activities during the financial year in accordance to its terms of reference:

- a. Reviewed the quarterly result announcements prior to the approval of the Board.
- b. Reviewed the audited financial statements prior to the approval of the Board.
- c. Reviewed and approved the external auditors' scope of work and audit plan prior to the commencement of audit.
- d. Discussed with the external auditors on significant matters arising from their examination of the audited financial statements, including compliance with applicable accounting standards.
- e. Reviewed the external auditor's management letter and evaluated management response.
- f. Reviewed and approved the Group internal audit plan for the year.
- g. Deliberated on the internal audit reports that were tabled and appraised management's response to the key audit observations and recommendations.
- h. Reviewed the related party transactions entered into by the Group.

TERMS OF REFERENCE

Composition

- i) Audit Committee members shall be appointed by the Board from among its numbers and their appointment shall be concurrent with their tenure on the Board.
- ii) The Audit Committee shall comprise not less than three members, the majority of whom are independent non-executive directors.
- iii) In the event a member retires or ceases to be a member resulting in the number reducing to below three, the Board shall within three months appoint new members to make up the minimum number of three members.

- iv) At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have the necessary experience and recognised qualifications approved by Bursa Malaysia Securities Berhad.
- v) No alternate director shall be appointed as an Audit Committee member.

Chairman

The Audit Committee Chairman shall be an independent non-executive director appointed by the Audit Committee Members.

Secretary

The Company Secretary shall act as the Secretary of the Audit Committee.

Review of performance

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years.

Meetings

The Audit Committee shall meet not less than four times a year. Additional meetings may be called at any time at the discretion of the Audit Committee Chairman.

Quorum

The quorum for Audit Committee meetings shall be two members and the majority of the members present shall be independent non-executive directors.

Meetings

The Chief Financial Officer and Head of Internal Audit would normally attend meetings. Other board members, senior management and external auditors may attend meetings upon the invitation of the Audit Committee.

Authority

The Audit Committee is empowered by the Board:

- i) To have explicit authority to investigate any matter within its terms of reference.
- ii) To have full and unrestricted access to all records, information, properties and personnel.
- iii) To have direct communication channels with the external and internal auditors.

- iv) To be able to obtain independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if the Audit Committee considers this necessary.
- v) To be able to convene meetings with the external auditors in the absence of the executive members whenever deemed necessary.

Duties and Responsibilities

- i) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- ii) To discuss with the external auditor prior to the commencement of audit, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.
- iii) To review the quarterly, half-yearly and year-end financial statements prior to the approval of the board, focusing on:
 - compliance with accounting standards and other legal requirements.
 - any changes in the accounting policies and practices
 - significant issues arising from the audit
 - the going concern assumption
- iv) To discuss problems and reservations arising from the interim and final audits, and any significant matter the external auditor may wish to discuss (in the absence of management where necessary).
- v) To review the external auditor's management letter and management's response.
- vi) To do the following with the internal audit function:
 - Review the adequacy of scope, function and resources of the internal audit department and that it has the necessary authority to carry out its work.
 - Review the internal audit program and the results of audit work and where necessary ensure that appropriate action is taken on the recommendations of the internal auditors.
 - Review the coordination of external audit and internal audit.
 - Review any major discoveries of audit investigations and management's response.

Approve the appointment of senior staff members of internal audit department, review performance appraisals and be informed of resignations and providing the resigning staff an opportunity to submit his/her reason for resigning.

- vii) 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.
- viii) Where the Audit 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 Bursa Malaysia Securities Berhad.
- ix) To undertake any other responsibilities as may be agreed by the Audit Committee and the Board.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Internal Audit Department. It reports directly to the Audit Committee and assists the Committee in discharging its duties and responsibilities.

The Group Internal Audit Department is adequately staffed by experienced and qualified auditors. Their scope of work covers all the operating divisions of the Group and the department performed its duties in accordance with the annual audit plan that was approved by the Audit Committee.

As part of every audit assignment, internal audit conducted risk evaluations, reviewed the adequacy and effectiveness of the system of internal controls and reviewed the extent of compliance with the Group's policies and procedures and regulatory requirements. Internal audit also reviewed key business processes with the objective of improving the Group's operations.

During the financial year, Group Internal Audit Department issued thirty four audit reports and submitted to the Audit Committee for review together with the management's response and also followed-up to ensure audit recommendations are promptly addressed.