

AUDIT COMMITTEE REPORT

Members of the Audit Committee

The Audit Committee presently comprises three non-executive directors and a majority of them are independent directors as follows:

- 1 Kua Hwee Sim (Independent & Non-Executive)
- 2 Dato' Dr. Ridzuan bin Mohd Akil (Independent & Non-Executive)
- 3 Sheik Sharufuddin bin Sheik Mohd (Non-Independent & Non-Executive)

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

Attendance of Meetings

The Audit Committee convened four meetings during the financial year ended 31 December 2008 and details of attendance of each member are as follows:

Audit Committee Members	Dates of Meetings			
	19 Feb	20 May	13 Aug	17 Nov
Kua Hwee Sim	√	√	√	√
Dato' Dr. Ridzuan bin Mohd Akil	√	√	√	√
Sheik Sharufuddin bin Sheik Mohd	√	√	√	√

√ - attended the meeting

n/a - not applicable

The Managing Director, Divisional Directors, 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 two 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 the external auditor's fees, 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 internal audit plan and the key performance indicators of the internal audit department for the year.
- g Reviewed and monitor the adequacy of scope, function, competency and resources of the internal audit department towards the achievement of the internal audit plan and its key performance indicators.
- h Deliberated on the internal audit findings and appraised management's response to the key audit observations and recommendations including following-up on management's implementation of the recommendations.
- i Reviewed the related party transactions entered into by the Group.
- j Reviewed the key risks identified in the Enterprise Risk Management report.
- k Reviewed the Risk Management Policy and Guidelines prior to recommending to the Board.

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 and all the members must be non-executive directors with a majority of them being independent 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 recognized qualifications or such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- v No alternate director shall be appointed as an Audit Committee member.

Chairperson

The Audit Committee Chairperson shall be an independent non-executive director appointed by the Board.

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.

AUDIT COMMITTEE REPORT

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 Chairperson.

Quorum

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

Attendance

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, the internal auditors, or both, excluding the attendance of other directors and employees, 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, competency 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 and it incurred an estimated cost of RM1.2 million during the financial year. Its scope of work is spelt out in the approved audit plan which covers all the operating divisions and support functions of the Group and its performance is measured against approved key performance indicators.

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 efficiency of the Group's operations.

During the financial year, the Group Internal Audit Department issued forty two audit reports to management and the Audit Committee and followed-up to ensure pertinent audit recommendations are addressed.