

reportoftheAUDITcommittee

MEMBERSHIP

The present members of the Audit Committee comprise:-

TUAN HAJI GHAZALI BIN AWANG – Chairman, Independent Non-Executive Director

DR. MOHD NASIR BIN HASSAN – Independent Non-Executive Director

DATUK ALIAS BIN ALI – Non-Independent Non-Executive Director



TERMS OF REFERENCE

The Audit Committee was established in May 2002 to act as a committee of the Board of Directors, with the terms of reference as set put in page 34. During the year, the Board of Directors reviewed the terms of reference to ensure that the terms are in line with the Listing Requirements of Bursa Malaysia Securities Berhad.

MEETINGS

The Audit Committee convened four (4) meetings during the year and was attended by the members who were fully committed to it. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Executive Director, the Company Secretary, representatives of the external auditors, Messrs KPMG, the Financial Controller and other senior management personnel, if required also attended the meetings upon invitation.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee carried out its duties in accordance with its terms of reference and the main activities undertaken during the year by the Audit Committee were as follows.

- Reviewed the internal and external auditors' scope of work and audit plans for the year. Prior to the audit, the internal and external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters including management's response.
- Reviewed the effectiveness of the enterprise risk management system and the risk assessment reports from the Risk Management Committee. The significant risk issues were communicated to the Board of Directors for consideration.
- Reviewed the audited financial statements of the Company prior to submission to the Board for their consideration and approval.
- Reviewed certain annual reports before submission to the Board for approval.
- Reviewed the quarterly unaudited financial results before recommending them for the Board's approval.
- Reviewed the related party transaction by the Company.
- Reviewed the terms of reference of the committee and where necessary, recommend any amendments to the Board for approval.
- Reviewed the reports from external auditors, internal auditors and the risk management committee to assess the effectiveness of internal control systems.
- Reviewed the internal audit scope of work, the audit findings and the responses of the Management on the findings.

INTERNAL AUDIT FUNCTION

The internal audit department set up in January 2003, commenced its independent activities or operations during the year. The Audit Committee is cognizant of the principal role that the Department is to undertake independent, regular and system reviews of the risk management, internal control and governance systems in order to provide a reasonable assurance that such systems continue to operate satisfactorily and effectively. During the year, the Department carried out its audit on internal controls with emphasis on those systems that were most prone to risks and weaknesses. The managers of the respective departments participating in the risk management framework and reporting to the Risk Management Committee quarterly also contributed to sound control as per the requirement of PIC'S guideline which meets the stringent regulatory requirement of Ministry of Health ("MOH") and other risk factors. The stringent regular inspections carried out by MOH, proves the proactive action of sound internal control. The external auditors, the internal audit department, the Risk Management Committee, the MOH and top management are the means which assist the Audit Committee to ensure that internal controls and risks are adequately and efficiently enforced.

The Audit Committee will continue to monitor and ensure that internal control, risks and governance systems are under control at all times and will also take proactive action.

TERMS OF REFERENCE:-

OBJECTIVES

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary company.

In addition, the Audit Committee shall:-

- a) oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- c) determine the adequacy of the Group's administrative, operating and accounting controls, including Management Information System.

COMPOSITION

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) 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:-
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the Associations-of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967,
 - iii) to fulfil such other requirements as prescribed by the Exchange

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

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (c) above, the vacancy must be filled within 3 months of that event.

No Alternate Director shall be appointed as a member of the Audit Committee.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 2 years to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference.

FUNCTION

The functions of the Audit Committee are as follows:-

- a) To review the following and report the same to the Board of Directors:-
 - i) with the external auditors, the audit plan;
 - ii) with the external auditors, their evaluation of the system of internal controls;
 - iii) with the external auditors, their audit report;
 - iv) the assistance given by the Company's employees to the external auditors; and
 - v) 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.
- b) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- c) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements;
- e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- f) To review the external auditor's management letter and management's response;

- g) To do the following where an internal audit function exists:-
- 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 programme 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 any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointments or termination of senior staff members of the internal audit function;
 - Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning.
- h) To consider the major findings of internal investigations and management's response;
- i) To consider other areas as defined by the Board.

RIGHTS OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- 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 Company;

- d) have direct communication channels with employees of the Company, the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

MEETINGS

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least once a year the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Audit Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend the particular audit committee meeting as requested by the Committee.