

# report of the audit committee

## TERMS OF REFERENCE

### Membership

- The Audit Committee shall have a minimum of three (3) directors, a majority of whom are independent.
- The Chairman of the Audit Committee shall be an Independent Non-executive Director.
- At least one member of the Committee:-
  - i. must be a member of the Malaysian Institute of Accountants (MIA); or
  - ii. if not a member of MIA:
    - he must have at least three years of working experience; and
    - he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

### Meeting

- The quorum shall be two members, who must be Independent Directors.
- The Internal Auditor shall be invited to attend the meeting.
- A representative of the external auditor shall be invited to attend the meeting, where necessary.

### Authority

The Audit Committee shall have:

- i. the authority to seek any information relevant to its activities from employees of the Company and the Group.
- ii. the necessary resources required to carry out its duties and is authorized to obtain such independent professional advice it considers necessary.
- iii. full and unlimited access to any information and documents pertaining to the Company and the Group.

### Responsibilities

- To review the financial reporting to external parties carried out by the Group.
- To review the accounting policies of the Group.
- To review the scope and audit programmes of the internal and external auditors and any material issues arising from these audits.
- To review the effectiveness of the Group's systems of accounting and internal controls.
- To review the effectiveness of the Group's risk management process.
- To recommend to the Board the appointment of the external auditors and the level of their fees.
- To consider any related party transactions that may arise within the Group.

## report of the audit committee (cont'd)

### Members and Meetings

The Audit Committee comprises of four (4) members, all of whom are Non-executive Directors.

A total of four (4) meetings were held during the year. The status and attendance record of each of the members during the year, are as follows:

| Name   | Status of Directorship        | Number of Meetings |          |
|--|-------------------------------|--------------------|----------|
|  |                               | Held               | Attended |
| Tuan Haji Ghazali bin Awang (Chairman)<br>(appointed on 14 March 2006)             | Independent Non-Executive     | 3                  | 3        |
| Dr. Mohd. Nasir bin Hassan   | Independent Non-Executive     | 4                  | 4        |
| Datuk Alias bin Ali (appointed on 14 March 2006)                                   | Non-Independent Non-Executive | 3                  | 2        |
| Datuk Dr. Jegathesan a/l N M Vasagam<br>@ Manikavasagam (appointed on 23 May 2006) | Independent Non-Executive     | 2                  | 1        |

### Activities during the Year

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

- i. Reviewed and approved the internal audit plan for the year.
- ii. Reviewed the audit reports of the Company prepared by the internal and external auditors and consideration of the major findings by the auditors and management responses thereon.
- iii. Reviewed the quarterly and annual reports of the Company prior to submission to the Board of Directors for consideration and approval.
- iv. Reviewed the related party transactions entered into by the Company and the disclosure of such transactions in the annual report and circular on recurrent related party transactions.

- v. Reviewed the Company's risk profile, risk assessment reports from the Risk Management Committee and the management process for identifying, evaluating and managing the significant risks faced by the Company.
- vi. Reviewed with the External Auditors, their management letter and the management reports.
- vii. Evaluated the performance of the External Auditors and made recommendations to the Board of Directors on their re-appointment and audit fees.

### Internal Audit

The Company has an internal audit function whose principal responsibility is to undertake regular and systematic risk-based assessments of the systems of internal control so as to

provide reasonable assurance that such systems are adequate and continue to operate effectively in managing the key risks of the Company.

Further details of the activities of the internal audit department are set out in the Statement on Internal Control on page 41.

### Relationship with External Auditors

The External Auditors are invited to all the meetings of the Audit Committee and they attended all the meetings of the committee during the year. The Audit Committee also met once during the year with the External Auditors without the presence of executive Board members and Management.