

Report of the audit committee

Composition of the audit committee 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	No. of meetings attended
Haji Ghazali bin Awang [Chairman]	Independent Non-Executive	4/4
Dr Mohd Nasir bin Hassan	Independent Non-Executive	4/4
Datuk Alias bin Ali	Non-Independent Non-Executive	3/4
Datuk Dr Jegathesan a/l N.M Vasagam @ Manikavasagam	Independent Non-Executive	4/4

Terms of reference

In fulfilling its duties and objectives, the Audit Committee is guided by the Terms of Reference as follows:

Membership

- The Audit Committee shall be appointed by the Board of Directors and shall consist of all Non-Executive Directors, a majority of whom are independent.
- The Chairman of the Audit Committee shall be approved by the Board and 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; or.
 - iii. fulfils such other requirements as prescribed or approved by the Exchange

Meetings

- Meetings shall be held no less than four [4] times a year.
- The quorum shall be two [2] members, who must be Independent Directors.
- The Financial Controller and the Chief Internal Auditor and a representative of the external auditors should normally attend meetings,
- Any other Board members, the Chief Executive Officer and any other representatives as deemed necessary shall be invited to attend the meeting.
- The Committee shall meet with the external auditors, the internal auditors or both, in the absence of other directors and employees of the listed issuer at least twice a year or whenever is deemed necessary.
- The Secretary to the Committee shall be the Company Secretary.

Authority

The Audit Committee is authorised by the Board:

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

Responsibilities

- i. To consider and recommend to the Board on the nomination, appointment and termination of external auditors, as well as the audit fee;
- ii. 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;

- iii. To review the quarterly and year-end financial statements of the Board, focusing particularly on:
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- iv. To discuss problems and reservations arising from the interim and final audits, and any 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 review the internal audit and risk management reports and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit and risk management function;
- vii. To do the following, in relation to the internal audit function:
 - a. Review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - b. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - c. Review any appraisal or assessment of the performance of members of the internal audit function;
- d. Approve any appointment or termination of senior staff members of the internal audit function;
- e. Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- viii. To consider any related-party transactions that may arise within the Group;
- ix. To consider the major findings of internal investigations and management's response; and
- x. To consider other topics as defined by the Board.

Activities of the audit committee during the year

- i. Reviewed and approved the Company's internal audit and risk management plan for the year.
- ii. Reviewed the status report of internal audit and risk management activities for the year to ensure that all the planned activities for the Company were properly carried out.
- iii. Reviewed the summary of the internal audit and risk assessment reports prepared by Group Internal Audit and monitor the status of corrective actions taken by the Management to ensure that all audit and risk management issues and concerns are adequately resolved on timely basis.
- iv. Reviewed the Company's Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by the Company.
- v. Reviewed the management letters, reports and fees of the external auditors.
- vi. Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and audit fees.
- vii. Reviewed the quarterly and annual reports of the Company prior to the submission to the Board for consideration and approval.
- viii. 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.

Statement on internal audit function

The Company has an in-house internal audit function which is performed at the Group level. The Group Internal Audit has undertaken regular and systematic risk based assessments of the internal control of the Company so as to provide reasonable assurance that such systems are adequate and continues to operate effectively in managing the key risks of the Company. The Company has incurred approximately RM305,313 for the internal audit function in respect of the financial year under review.

The main objectives of the Group Internal Audit are as follows:

- i. Conduct audits on all auditable areas of the Company's operations and providing the Board with an independent evaluation of:
 - the adequacy, effectiveness and applicability of operating and accounting policies, procedures and controls, and the promotion of effective control at a reasonable cost.
 - the extent to which the Company's assets and those in its custody are accounted for and safeguarded from losses of all kinds.
 - the reliability and accuracy of accounting records and internal reports prepared by the Management and subsequently furnished to clients, shareholders and other interested parties.
 - the compliance of the Company's and relevant regulatory rules, guidelines, policies and procedures.
- ii. Provide the Board with recommendations for potential operating improvements identified during the conduct of an audit.
- iii. Advise the Board on the relevant policies and procedures which affect matters of internal control.
- iv. Provide the necessary assistance and manpower for investigations or any other special assignments which the Board of Directors/Audit Committee/ Management may require to be carried out from time to time.

Activities of the group internal audit during the year

The Group Internal Audit had conducted various operational audits as well as follow up audit exercises for the Company in accordance with the Audit Committee approved Audit Plan for 2007. Among the areas covered were the operations of Engineering, Finance, Regulatory Affairs, Quality Control, Sales & Marketing, General Production, Warehouse and Distribution, Procurement and Good Manufacturing Practices.