

Audit Committee Report



From left to right: Tan Sri Saw Huat Lye, Tan Sri Dato' Alwi Jantan, Dato' Jaffar Bin Ahmad Indot, Chin Yoong Chong, John Irving and Low Teng Lum

Terms of reference

The terms of reference are set out from pages 71 to 74.

Members and meetings

Tan Sri Saw Huat Lye (Chairman)	Independent Non-Executive Director
Tan Sri Dato' Alwi Jantan	Independent Non-Executive Director
Dato' Jaffar Bin Ahmad Indot	Independent Non-Executive Director
Chin Yoong Chong	Independent Non-Executive Director
John Irving	Non-Independent Non-Executive Director
Low Teng Lum	Executive Director

The Audit Committee comprises four Independent Non-Executive Directors, one Non-Independent Non-Executive Director and one Executive Director.

Tan Sri Saw Huat Lye is the Chairman of the Audit Committee. The composition of the Audit Committee is as above.

The Audit Committee had five meetings during the year.

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<i>No</i>	<i>Date</i>	<i>Venue</i>	<i>Percentage of Attendance</i>
1	18 August 2003	Kuala Lumpur	100%
2	10 September 2003	Kuala Lumpur	60%
3	7 November 2003	Kuala Lumpur	100%
4	10 February 2004	Kuala Lumpur	100%
5	6 May 2004	Kuala Lumpur	67%

<i>No</i>	<i>Name</i>	<i>Total Meetings</i>	<i>Percentage of Attendance</i>
1	Tan Sri Saw Huat Lye	5/5	100%
2	Tan Sri Dato' Alwi Jantan	4/5	80%
3	Dato' Jaffar Bin Ahmad Indot	5/5	100%
4	Chin Yoong Chong	4/5	80%
5	Low Teng Lum	4/5	80%
6	* John Irving	0/1	0%

* John Irving was appointed to the Board on 1 September 2003 and appointed as a Member of Audit Committee on 17 February 2004.

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The Group's external auditors attended three meetings during this period and some Members of Senior Management attended some of these meetings by invitation.

Summary of Activities

During the year, the Audit Committee focussed on the following:

Activities with regard to Financial Statements:

- Review of the Annual Reports, Related Party Transactions (RPT) circular and audited Financial Statements of the Company prior to submission to the Board of Directors for their perusal and approval. This was to ensure compliance of the Financial Statements with the provisions of the Companies Act, 1965 and the applicable approved accounting standards as per MASB
- Review of the Company's compliance with the Bursa Securities Listing Requirements, MASB and other relevant legal and regulatory requirements with regard to the quarterly and year-end Financial Statements
- Review of the unaudited financial results and the relevant announcements to the Bursa Securities prior to the consideration by the Board of Directors

Activities with regard to Internal Audit:

- Review of Internal Audit's plans and programmes
- Review of the Internal Audit Department's performance appraisals
- Review of Internal Audit's reports, recommendations and Management responses. Improvement actions in the

area of internal controls, systems and efficiency enhancements suggested by the internal auditors were discussed together with Management

- Review of implementation of these recommendations through follow up audit reports
- Suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement
- Review reports from the Risk Control Workgroup following their quarterly meetings

Activities with regard to External Audit and Group Audit:

- Review of external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan
- Review of external audit results, audit reports, Management letter and response from Management
- Review of Group audit scope and audit plans based on the Group Auditors' audit strategy and plan
- Review of Group audit results, audit reports and follow up action plans from Management

Other activities:

- Review of related party transactions and extraordinary and ordinary dividend payments
- Review of compliance to the Malaysian Code on Corporate Governance
- Review of business risks
- Review of crisis risks management

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Internal Audit Function

The principal role of the Internal Audit Department is to undertake independent and systematic reviews of the systems of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the Internal Audit Department to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

The Internal Audit Department has adopted a risk-based approach towards the planning and conduct of audits which is consistent with the Group's established framework in designing, implementing and monitoring of control systems. The Internal Audit Department also works collaboratively with the Risk Control Workgroup to review the risk management processes of the Group as a whole. The Group's monitoring process and controls assurance and risk management approach are in alignment with the risk management framework and risk awareness culture within the organisation.

Terms of Reference

Membership

The Audit Committee comprises at least three Directors, the majority of whom are Independent. The Chairman of the Group is the Chairman of the Audit Committee as he is an Independent Non-Executive Director.

The Head of Internal Audit shall be the Secretary of the Audit Committee. At least one Member of the Audit Committee shall be a Member of the Malaysian Institute of Accountants or alternatively a person who has at least three years working experience and has passed the examinations specified in Part 1 of the 1st schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the said schedule.

No alternate Director shall be appointed as a Member of the Audit Committee. The Board shall review the terms of office and performance of the Members of the Audit Committee at least once a year to determine whether the Members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Bursa Securities Listing Requirements, the Board shall fill the vacancy within three months from the date of the vacancy.

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Meetings and Minutes

The Audit Committee shall meet at least four times annually. A majority of the Members in attendance must be Independent Directors in order to form a quorum for the meeting.

The Finance Director and the Head of Internal Audit shall normally attend meetings of the Audit Committee. External auditors shall be entitled to attend a meeting of the Audit Committee at least once a year to make known their views on any matter under consideration by the Audit Committee or, which in their opinion, should be brought to the Audit Committee's attention. Non-Member Directors and employees of the Company shall not attend unless specifically invited by the Audit Committee.

The Secretary shall record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required.

The Audit Committee shall report to the Board and its minutes will be tabled to and noted by the Board.

Authority

The Audit Committee is authorised by the Board to review any activity within the Audit Committee's terms of reference. It is authorised to seek any information it requires from any Director or Member of Management and has full and unrestricted

access to any information pertaining to the Company and the Management, and all employees of the Group are required to comply with the requests made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain external professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. In the event that any Member of the Audit Committee shall need to seek external professional advice in furtherance of his duties, he shall first consult with and obtain the prior approval of the Chairman of the Audit Committee.

The Audit Committee is also authorised by the Board of Directors of the Company to review any activity within its Terms of Reference, and where it deems necessary, investigate any matter referred to it or that it has come across in respect of a transaction that raises questions of management integrity, possible conflicts of interest, or abuse by a significant or controlling shareholder.

The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors excluding the attendance of the non-independent members of the Audit Committee, whenever deemed necessary.

The Head of Internal Audit shall report directly to the Audit Committee and shall have direct access to the Chairman of the

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Audit Committee on all matters of control and audit. All proposals by Management regarding the appointment, transfer and removal of the Head of Internal Audit of the Company shall require prior approval of the Audit Committee. Any inappropriate restrictions on audit scope are to be reported to the Audit Committee.

Duties

1. To review the quarterly, half-yearly and annual Financial Statements of the Company, focussing particularly on:
 - any significant changes to accounting policies and practices
 - significant adjustments arising from the audits
 - compliance with accounting standards and other legal requirements
 - the going concern assumption
2. To review any related party transaction and conflict of interest situation that may arise within the Company including any transaction, procedure or course of conduct that raises questions of Management integrity.
3. To consider annually the Business Risk Management Framework adopted within the Company and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximise opportunities.
4. To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.
5. To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Company's Code of Business Conduct.
6. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.
7. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Company.

Specifically:

- to review the internal audit plans and to be satisfied with their consistency with the Business Risk Management Framework used, the adequacy of coverage and the audit methodologies employed
- to be satisfied that the internal audit function within the Company has the proper resources and standing to enable them to complete their mandates and approved audit plans
- to review status reports from internal audit and ensure that appropriate action is taken on the recommendations of the internal audit function. To recommend any

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broader reviews deemed necessary as a consequence of the issues or concerns identified

- to review any appraisal or assessment of the performance of the Members of the internal audit function, to approve any appointment or termination of senior staff members of the internal audit function and to inform itself of any resignations of internal audit staff members and reasons thereof
 - to ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties
 - to request and review any special audit which it deems necessary
8. To review with the external auditors the nature and scope of their audit plan and report.
 9. To review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the external auditors.
 10. To review and evaluate factors related to the independence of the external auditors and assist them in preserving their independence.
 11. To be advised of significant use of the external auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised.
 12. To review the external auditors' findings arising from audits, particularly any comments and responses in Management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.
 13. To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself.
 14. To review with the external auditors the Statement of Internal Controls of the Group for inclusion in the Annual Report.
 15. To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.
 16. To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.
 17. To review ordinary and extraordinary dividend payments.
 18. To act on any other matters as may be directed by the Board.