

# Audit Committee Report

## FORMATION

The Audit Committee was formed by the Board of Directors at its meeting on 29 March 1996.

The objective of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to internal controls, financial and accounting records and policies as well as financial reporting practices of the Company and its subsidiaries (“the Group”).

## COMPOSITION

The members of the Audit Committee during the financial year were:-

1. Tan Sri Dato’ Ir Talha Bin Haji Mohd Hashim - Chairman  
(*Senior Independent Non-Executive Director*)
2. Teo Tong How  
(*Independent Non-Executive Director*)
3. Tan Siak Tee  
(*Independent Non-Executive Director*)
4. Ngian Siew Siong  
(*Deputy Managing Director - Property Development, Non-Independent Executive Director*)

## MEETINGS AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year. The attendance of the Committee members was as follows:-

<b>Name of Committee Member</b>	<b>Number of Meetings Attended</b>
Tan Sri Dato’Ir Talha bin Haji Mohd Hashim	5/5
Teo Tong How	5/5
Tan Siak Tee	5/5
Ngian Siew Siong	5/5

The Company Secretaries, the Internal Auditors, the Managing Director and the Group Financial Controller were present at all meetings. At three (3) of the meetings, the External Auditors were present.

## TERMS OF REFERENCE

### 1. Membership

- 1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.
- 1.2 The majority of the members including the Chairman of the Committee shall be Independent Directors as defined in Chapter 1 of the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) [“Bursa Malaysia”].

## Audit Committee Report *(cont'd)*

- 1.3 The Committee shall include at least one (1) person:-
- (a) who is a member of the Malaysian Institute of Accountants; or
  - (b) who must have at least three (3) years' working experience and:-
    - (i) have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (ii) is a member of one (1) of the Associations specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - (c) who must have at least three (3) years' post qualification experience in accounting or finance and:-
    - (i) has a degree/masters/doctorate in accounting or finance; or
    - (ii) is a member of one (1) of the professional accountancy organizations which has been admitted as a full member of the International Federation of Accountants; or
  - (d) who must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 1.4 No Alternate Director shall be appointed as a member of the Committee.
- 1.5 The members of the Committee shall elect a Chairman from amongst their number.
- 1.6 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.
- 1.7 The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

## 2. Meetings

- 2.1 The quorum for a Committee Meeting shall be at least two (2) members, the majority present must be Independent Directors.
- 2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- 2.3 Notwithstanding paragraph 2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.

## Audit Committee Report *(cont'd)*

- 2.5 The non-member Directors and employees of the Company and of the Group shall normally attend the meetings to assist in its deliberations and resolutions of matters raised. However, at least once a year, the Committee shall meet with the External Auditors without the presence of the executive members of the Committee.
- 2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters as well as the recommendations relating thereto and to follow-up on all relevant decisions made.
- 2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.9 In addition to the availability of detailed minutes of the Committee Meetings to all Board members, the Committee at each Board Meeting, will report a summary of significant matters and resolutions.

### **3. Rights And Authority**

The Committee is authorised to:-

- 3.1 Investigate any matter within its terms of reference.
- 3.2 Have adequate resources required to perform its duties.
- 3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 3.4 Have direct communication channels with the External and Internal Auditors.
- 3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

### **4. Functions and Duties**

- 4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- 4.2 To review the following and report to the Board:-
  - (a) With the External Auditors:-
    - (i) the audit plan and audit report and the extent of assistance rendered by employees of the Auditee;
    - (ii) their evaluation of the system of internal controls;
    - (iii) the audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors;

## Audit Committee Report *(cont'd)*

- (iv) the management letter and management's response; and
  - (v) issues and reservations arising from audits.
  - (b) With the Internal Audit Department:-
    - (i) the adequacy and relevance of the scope, functions and resources of Internal Audit and the necessary authority to carry out its work;
    - (ii) the audit plan of work programme and results of internal audit processes including recommendations and actions taken;
    - (iii) the extent of cooperation and assistance rendered by employees of Auditee; and
    - (iv) the appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment and termination.
  - (c) The quarterly results and year end financial statements prior to the approval by the Board, focusing particularly on:-
    - (i) changes and implementation of major accounting policies and practices;
    - (ii) significant and unusual issues;
    - (iii) going concern assumption; and
    - (iv) compliance with accounting standards, regulatory and other legal requirements.
  - (d) The major findings of investigations and management response.
  - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to Bursa Malaysia.
- 4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:-
- (a) the composition of the Committee including the name, designation and directorship of the members;
  - (b) the terms of reference of the Committee;
  - (c) the number of meetings held and details of attendance of each member;
  - (d) a summary of the activities of the Committee in the discharge of its functions and duties; and
  - (e) a summary of the activities of the internal audit function.

## Audit Committee Report *(cont'd)*

4.5 To review the following for publication in the Company's Annual Report:-

- (a) the disclosure statement of the Board on:-
  - (i) the Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance; and
  - (ii) the extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas.
- (b) the statement on the Board's responsibility for the preparation of the annual audited financial statements.
- (c) the disclosure statement on the state of the internal controls system of the Company and of the Group.
- (d) the statement by the Audit Committee on the verification of allocation of share options to the Group's eligible employees in compliance with the criteria set out in the Bye-Laws of the Company's Employees' Share Option Scheme, at the end of each financial year.
- (e) other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of Bursa Malaysia.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

### 5. Internal Audit Department

- 5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee Members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the internal audit function.
- 5.2 In respect of routine administrative matters, the Head of Internal Audit Department shall report to the Group Executive Chairman or his designate.

### ACTIVITIES OF THE COMMITTEE FOR YEAR 2003

The summary of the activities of the Committee in the discharge of its duties and responsibilities included the following:-

- (a) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes with the Internal Audit Department.
- (b) Reviewed the audit activities carried out by the Internal Audit Department and the audit reports to ensure corrective actions were taken in addressing the risk issues reported.
- (c) Reviewed with the assistance of the Internal Audit Department and management, the adequacy, appropriateness and compliance of the procedures established to monitor recurrent related party transactions.
- (d) Reviewed with the External Auditors, the audit plan of the Company and of the Group for the year (inclusive of risk and audit approach, system evaluation, audit fees, issues raised and management responses) prior to the commencement of the annual audit.
- (e) Reviewed the extent of assistance rendered by management and issues and reservations arising from audits with the External Auditors without the presence of management staff and the executive member of the Committee.

## Audit Committee Report *(cont'd)*

- (f) Reviewed the financial statements, the audit reports, issues and reservations arising from audits and the management letter with the External Auditors.
- (g) Reviewed the quarterly and year end financial statements with management for recommendation to the Board of Directors for approval and release to Bursa Malaysia.
- (h) Reviewed all related party transactions entered into by the Company and the Group at the Committee's quarterly meetings to ensure that the transactions entered into were at arm's length basis and on normal commercial terms.
- (i) Reviewed the Circular to Shareholders in respect of the proposed Shareholders' Mandate for Recurrent Related Party Transactions.
- (j) Discussed the implications of any latest changes and pronouncements on the Company and the Group, which were issued by the accountancy, statutory and regulatory bodies.
- (k) Reported to the Board on significant issues and concerns discussed during the Committee's meetings together with applicable recommendations. Minutes of meetings were tabled, discussed and noted by all Board members.
- (l) Reviewed and approved the Audit Committee Report for the year ended 31 December 2002 for inclusion in the Company's 2002 Annual Report.
- (m) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance and Directors' Responsibility Statement on the annual audited financial statements for inclusion in the Company's 2002 Annual Report.

### **INTERNALAUDITACTIVITIES REPORT FOR YEAR 2003**

The summary of the activities of the Internal Audit Department was as follows:-

- (a) Prepared the annual audit plan for the approval of the Audit Committee.
- (b) Regularly performed risk based audits on strategic business units of the Company and of the Group, which covered reviews of the internal control system, accounting and management information system and risk management.
- (c) Issued audit reports to the Committee and management identifying weaknesses and issues as well as highlighting recommendations for improvements.
- (d) Acted on suggestions made by the Committee and/or senior management on concerns over operations or controls.
- (e) Followed up on management corrective actions on audit issues raised by the External Auditors.
- (f) Reported to the Committee on review of the adequacy, appropriateness and compliance with the procedures established to monitor recurrent related party transactions.
- (g) Reviewed on the appropriateness of the disclosure statements in regard to compliance with the Malaysian Code on Corporate Governance and the state on internal controls as well as the Audit Committee Report.
- (h) Attended Committee's meetings to table and discuss the audit reports and followed up on matters raised.