

Audit Committee Report

The Audit Committee of the Board of Directors was formed in 1977. The present members of the Committee are:

- Tan Sri Abdul Rashid Hussain (Chairman)
- Dato' Kamaruddin bin Mahmood
- Syed Zaid bin Syed Jaffar Albar
- Datuk Hassan Abas
- Chiew Sin Cheok

The members of the Audit Committee consist solely of Non-Executive Directors, the majority of whom are independent. The independent members are Tan Sri Abdul Rashid Hussain as independent Chairman, Dato' Kamaruddin bin Mahmood and Syed Zaid bin Syed Jaffar Albar as independent members. The Non-Independent Directors are Datuk Hassan Abas and Chiew Sin Cheok.

The Committee has four meetings during the year. The meetings were attended by all members except for Tan Sri Abdul Rashid Hussain, Datuk Hassan Abas and Chiew Sin Cheok, who have attended three out of the four meetings. Other members of senior management attended some of these meetings upon invitation by the Chairman of the Committee. The Group's internal and external auditors attended all the meetings during the period.

The terms of reference of the Audit Committee are set out in pages 27 to 29.

During the financial year, the Audit Committee carried out its duties as set out in the terms of reference. In particular, the functions of the Audit Committee are to review accounting policies, internal controls, statutory financial statements and related party transactions of the Company and its subsidiary companies on behalf of the Board of Directors.

In performing its functions, the Audit Committee reviewed the overall scope of internal audits. It met with the Group's internal auditors to discuss the results of their examinations and their evaluation of the system of internal accounting controls of the Company and its subsidiary companies.

In addition, the Audit Committee discussed with the external auditors the audit plan which states the nature and scope of audit and the results of examination arising from the external audit.

The Audit Committee also reviewed the quarterly announcements to Bursa Malaysia Securities Berhad and the financial statements of the Company and the consolidated financial statements of the Group as well as the statutory auditors' report thereon. The Audit Committee recommended to the Board of Directors, subject to the shareholders' approval, the selection of the Company's and its subsidiary companies' statutory auditors.

In its endeavour to fulfill its responsibilities, the Audit Committee focused its attention on key aspects of business operations that have significant impact not only on profitability but also the quality of services provided to customers.

Other main issues discussed by the Audit Committee are as follows:

- Review of the Group's risk management reports;
- The new Financial Reporting Standards issued by the Malaysian Accounting Standards Board and their applicability to the consolidated financial statements for the financial year ended 31 December 2007; and
- The disclosure requirements of the Listing Requirements of Bursa Malaysia Securities Berhad.

Audit Committee Report

Internal Audit Function

The Group uses the services of the Jardine Matheson Group Internal Auditors to accomplish its internal audit requirements. The Group Internal Auditors report to the Audit Committee on matters concerning the Group and assists the Board of Directors in monitoring and managing risks and internal controls.

The Group Internal Auditors review internal controls in all key activities of the Group and recommend improvement in controls and procedures. The Group Internal Auditors are independent of the activities they audit and perform with impartiality and due professional care. Findings of the Group Internal Auditors are reported regularly to the Audit Committee.

The Audit Committee approves the internal audit plan of the Group Internal Auditors each year. The scope of the internal audit covers the audits of significant units and operations, including subsidiaries. In addition, the Group Internal Auditors also audit the various computer application systems and network of the Group.

During the year the management worked hand in hand with the Group Internal Auditors in identifying risk areas, implementing control measures and monitoring controls. The monitoring process will form the basis for continually improving the risk management process in the context of the Group's overall goals.

In the course of auditing, the Group Internal Auditors have identified some minor internal control weaknesses during the period, which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.