

■ Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

Chairman of the Committee

Wong Joon Hian, *Independent Non-Executive Director (appointed on 18 November 2008)*

Members of the Committee

Nelson Gylding Dorrell Borch, *Independent Non-Executive Director*

Chan Kok Keong, *Independent Non-Executive Director (appointed on 18 November 2008)*

Dato' Ir Onn Hamzah, *Non-Independent and Non-Executive Director (appointed on 23 April 2009)*

Stanislaw Wassylko, *Independent Non-Executive Director (resigned on 29 August 2008)*

Harun Halim Rasip, *Executive Chairman (resigned on 27 November 2008)*

Secretary

Chan May Yee

Meetings

During the financial year ended 31 December 2008, five (5) Audit Committee meetings were held. A record of the attendance to these meeting is as follows:

Name of Committee Member	No. of Meetings Attended/Held during his office
Nelson Gylding Dorrell Borch	5/5
Harun Halim Rasip	4/5
Stanislaw Wassylko	4/4
Wong Joon Hian	1/1
Chan Kok Keong	0/1

TERMS OF REFERENCE

1. Appointment/Composition

The members of the Committee shall be appointed by the Board and their period of appointment shall be concurrent with their tenure in the Board.

The Audit Committee shall consist of not less than 3 members of whom a majority shall be Independent Directors and the Independent Director is one who:

- a) is not an Executive Director of the Company or any related corporation (hereinafter each corporation shall be referred to as "the said Corporation");
- b) has not been within the last 2 years and is not an officer (except as non-executive director) of the said Corporation. For this purpose, "officer" shall have the meaning given in Section 4 of the Companies Act, 1965;
- c) is not a major shareholder of the said Corporation;
- d) is not a relative of any Executive Director, officer or major shareholder of the said Corporation. For this purpose, "relative" means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child;
- e) is not acting as a nominee or representative of any Executive Director or major shareholder of the said Corporation;
- f) has not been engaged as a professional adviser by the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by the Exchange; or
- g) has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange.

■ Audit Committee Report *(Continued)*

1. Appointment/Composition *(Continued)*

At least one member of the Committee must be a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:

- a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
- b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967;

OR fulfills such other requirements as prescribed by the Exchange.

No alternate director can be a member of the Committee. A quorum shall be 2 members and a majority of members present must be independent directors.

The members of an Audit Committee shall elect a Chairman from among their number who shall be an independent director.

The Board shall, within 3 months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below 3, appoint such number of new members as may be required to make up the minimum number of 3 members.

The Board shall review the term of office and performance of an Audit Committee and each of its members at least once every 3 years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

2. Meetings

Meetings shall be held not less than four times a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee member, the Company's Chairman or the internal or external auditors if they consider it necessary.

Meetings will be attended by the members of the Committee and the Company Secretary who shall act as the Secretary of the Committee.

Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and external auditors. However, at least once a year the Committee shall meet with the external auditors.

3. Authority

The Committee is authorised by the Board to carry out the duties mentioned below. It has unrestricted access to all of the Group's records, resources and personnel to enable it to discharge its duties. It is also authorised by the Board to seek outside legal or other independent advice and to secure attendance of outside experts if it considers necessary.

The Committee shall be empowered to convene meetings with the external auditors, internal auditors or both, without presence of other directors and employees of the Company, whenever deemed necessary.

The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

The Committee shall promptly report to the Exchange of a matter reported by the Audit Committee to the Board of Directors of the Company which has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Listing Requirements.

■ Audit Committee Report *(Continued)*

4. Duties

- a) To discuss and liaise with external auditors the scope of their audit plan to ensure the smooth implementation of the audit of the Group and to review and evaluate their findings on internal control system and audit reports on the financial statements;
- b) To assist in the development of an environment in which controls can operate effectively and to keep under review the effectiveness of internal control systems and the findings of internal auditors;
- c) To provide a forum for non-executive directors to improve their understanding of the Group's operations to enable them to perform a more active role;
- d) To review the quarterly and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - Any changes in major policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.
- e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- f) To review any related party transactions and conflict of interest situation that may arise within the Company and the Group;
- g) To review the assistance given by the employees of the Company and the Group to the external auditors;
- h) To review and assess the appropriateness of the Group's accounting policies and the adequacy of management reporting requirements;
- i) To do the following for internal audit function now undertaken by external consultants:
 - review the adequacy of the scope, functions, competency and resources of the internal audit function;
 - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of the internal audit function; and
 - approve any appointment or termination of the internal audit function.
- j) To review the Group's business ethics and compliance with the law;
- k) To perform any other such functions as may be agreed by the Audit Committee and the Board;
- l) Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditors believes should be brought to the attention of the Directors or shareholders;
- m) To consider the appointment of the external auditors, audit fees and any questions of resignation or dismissal;
- n) To recommend the nomination of a person or persons as external auditors; and
- o) To consider the proceedings of the Risk Management Committee ("RMC"), review the methodology and processes adopted by the RMC in its deliberations on an ongoing basis and review its findings for appropriate recommendations to the Board.

5. Minutes

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee.

6. Procedures of The Audit Committee

a) Calling of meetings

The members may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, provided that they shall have a minimum of four meetings in a financial year. The Secretary shall on the requisition of a member summon a meeting of the Audit Committee.

■ Audit Committee Report *(Continued)*

6. Procedures of The Audit Committee *(Continued)*

b) Notice of meeting

Notice of a meeting of the Audit Committee shall be given to all the members in writing. Unless otherwise determined by the Board of Directors from time to time, seven (7) days' notice shall be given, except in the case of an emergency, shorter notice may be given.

c) Voting and proceeding of meeting

The decision of the Audit Committee shall be by a majority of votes and the determination by a majority of the members shall for all purposes be deemed a determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

d) Keeping of minutes

The members shall cause minutes to be made of all proceedings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

e) Custody, production and inspection of minutes

The minutes of proceedings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be open to the inspection of any member of the Committee or any member of the Board of Directors.

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR

The activities undertaken by the Audit Committee for the financial year were as follows:-

- a) Reviewed the quarterly financial statements and annual report, prior to the approval by the Board of Directors, focusing particularly on:
 - any changes in major policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (b) Reviewed the related party transactions and conflict of interest situation that had arisen within the Company and the Group;
- (c) Reviewed and assessed the appropriateness of the Group's accounting policies and the adequacy of management reporting requirements;
- (d) Considered the appointment of the external auditors and audit fees;
- (e) Undertaking group risk management assessment measures and making recommendations to the Board in relation thereto;
- (f) Discussed and liaised with external auditors of scope of their audit plan prior to commencement of audit;
- (g) Discussed and reviewed with external auditors their evaluation of internal control systems of the Group; and
- (h) Reviewed the internal audit programme and results of the internal audit process and ensured appropriate actions were taken on the recommendations by the internal auditors.

INTERNAL AUDIT FUNCTION

The Group ceased to have, for its port operations and industrial land activities, an in-house internal audit capability as it was determined that external consultants would be able to undertake such function more effectively. This is also now consistent with the mode adopted for all the other activities of the Group. As such it is independent. The principal role of the external consultants is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the nominated Chief Executive Officer of its Lumut Port operations and industrial land activities, with the input of external consultants, to provide the Audit Committee with independent and objective reports on the state of internal control of the various business segments with the Group and the extent of compliance of the business segments with the Group's established policies and procedures as well as relevant statutory requirements.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on page 80.