

## AUDIT COMMITTEE REPORT

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

- Vimala Menon – Chairperson (Senior Independent Non-Executive Director)
- Tan Sri Dato' Sulaiman bin Sujak (Independent Non-Executive Director)
- Haslam Preston (Non-Independent Non-Executive Director)

In compliance with Paragraph 15.09(1)(b) of the Main Market Listing Requirements of BMSB, the members of the Audit Committee consist solely of Non-Executive Directors, the majority of whom are independent.

The Audit Committee held four meetings during the financial year ended 31 December 2015 and details of attendance of members of the Audit Committee are as follows:

Name of Committee Members	Attendance
Vimala Menon (Chairperson)	4/4
Tan Sri Dato' Sulaiman bin Sujak	4/4
Haslam Preston	4/4

Members of Senior Management are invited to attend meetings of the Audit Committee to appropriately brief and furnish members of the Audit Committee with the relevant information and clarification to relevant items on the agenda. The Group's Internal and External Auditors attended all the meetings during the year. The Audit Committee met with the External Auditors once during the financial year ended 31 December 2015 without presence of the Management.

The terms of reference of the Audit Committee are set out on pages 20 to 21 of the Annual Report.

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 control, statutory financial statements and related party transactions of the Company and its subsidiaries on behalf of the Board of Directors.

In performing its functions, the Audit Committee reviewed the overall scope of the Group's internal audit. It met with the Internal Auditors to discuss the results of their examinations and their evaluation of the system of internal control of the Company and its subsidiaries.

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.

To ensure that the financial statements of the Group complied with the requirements of the Act and the applicable financial reporting standards, the Audit Committee invited the External Auditors to attend all Audit Committee meetings to update the Audit Committee on the changes in major accounting policies and its subsequent implementation, and to answer the concerns raised by the Audit Committee during their meetings.

Furthermore, the Audit Committee had its meeting on 22 February 2016 assessed the suitability and independence of External Auditors by obtaining affirmation from the External Auditors that it maintained its independence in accordance with its internal requirements and with the Bye-Laws (On Professional Ethics, Conduct and Independence) of the Malaysian Institute of Accountants.

The Audit Committee recommended the re-appointment of PwC as External Auditors for the financial year ending 31 December 2016 after considering their performance.

The Audit Committee also reviewed the quarterly announcements to BMSB 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 subsidiaries' 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 on profitability.

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, International Financial Reporting Standards and their applicability to the consolidated financial statements for the financial year ended 31 December 2015; and
- The disclosure requirements of the Main Market Listing Requirements of BMSB.

### **Internal Audit Function**

The Group uses the services of the Jardine Matheson Group Internal Auditors to fulfil its internal audit requirements. Jardine Matheson Group Internal Auditors have adequate resources and appropriate standing to undertake their activities independently and objectively to provide reasonable assurance to the Audit Committee regarding the adequacy and effectiveness of the Group's internal control systems, and assist the Board of Directors in monitoring and managing risks and internal control.

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

The Audit Committee approves the internal audit plan of the Internal Auditors each year. The scope of the internal audit covers the audits of significant units and operations, including subsidiaries. In addition, the 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 Internal Auditors in identifying risk areas, implementing control measures and monitoring control. 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 Internal Auditors have found the overall control environment of the Group to be effective and no significant issues have been brought to the attention of Audit Committee.

The Internal Auditors updated the Audit Committee on the internal audit plan of the Group on a quarterly basis to ensure that the Audit Committee was kept abreast of the internal control environment of the Group.

The total costs incurred for the internal audit function of the Company and Group for the financial year ended 31 December 2015 was RM262,000.

### **Statement on Share Issuance Scheme by Audit Committee**

There was no Share Issuance Scheme in place during the financial year ended 31 December 2015.