

## Audit Committee Report

The Audit Committee was established by the Board in 1977.

As at 31 December 2017, the members of the Committee were:

- Tang Saw Hua – Chairperson (Independent Non-Executive Director)
- Tan Sri Dato' Sulaiman bin Sujak (Senior Independent Non-Executive Director)
- Teng Wei Ann Adrian (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 2017 and details of the attendance of members of the Audit Committee are as follows:

Name of Committee Members	Attendance
Tang Saw Hua (Chairperson)	4/4
Tan Sri Dato' Sulaiman bin Sujak	4/4
Teng Wei Ann Adrian	4/4
Vimala Menon*	2/2

\* Vimala Menon retired at the conclusion of AGM on 21 April 2017.

Members of Senior Management were 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 held during the year. The Audit Committee met with the External Auditors once during the year without presence of the Management.

During the financial year ended 31 December 2017, the Audit Committee carried out its duties as set out in the terms of reference. In particular, the functions of the Audit Committee were to review accounting policies, statutory financial statements and related party transactions of the Company and its subsidiaries, establish effective risk management and internal control framework within the Group and ascertain that the financial statements of the Group are consistent with operational information on behalf of the Board.

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 accounting standards and its subsequent implementation, and to answer the concerns raised by the Audit Committee during their meetings.

The Audit Committee discussed with the External Auditors the audit plan which stated the nature and scope of audit and the results of examination arising from the external audit.

In addition, the Audit Committee reviewed the quarterly announcements to BMSB, the financial statements of the Company, and the consolidated financial statements of the Group as well as the statutory auditors' report thereon. During the Audit Committee meetings, the Audit Committee and Senior Management deliberated on significant matters including financial reporting issues and significant judgement made by the Management. The Audit Committee recommended to the Board, subject to the shareholders' approval, the selection of the Company's and its subsidiaries' statutory auditors.

The Audit Committee had on its meeting held on 28 February 2018 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 By-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 2018 after considering their performance.

It is noted that the audit engagement partner would be required to rotate every five (5) years as per PwC's internal policy, which was in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. The current audit engagement partner has held the position for five (5) years, and will be rotated in the financial year ending 31 December 2018.

In performing its functions, the Audit Committee also 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 internal control system of the Company and its subsidiaries.

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 were 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 2017;
- The disclosure requirements of the Main Market Listing Requirements of BMSB; and
- Key audit matter, in relation to stock write-down, addressed in the audited report for the financial year ended 31 December 2017.

## Audit Committee Report

### 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 in monitoring and managing risks and internal controls.

The Internal Auditors review internal controls in all key activities of the Group and recommend improvement in controls and procedures. The Internal Auditors are independent of the activities they audit and perform their audit with impartiality and due professional care. Findings of the Internal Auditors are reported regularly to the Audit Committee on 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 controls. Taking into consideration the issues highlighted to the Audit Committee during the financial year ended 31 December 2017, the Internal Auditors have found that the overall control environment of the Group to be generally effective.

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 Group for the financial year ended 31 December 2017 was RM304,000.

### Statement on Share Issuance Scheme by Audit Committee

There were no Share Issuance Scheme in place during the financial year ended 31 December 2017.