

### MEMBERSHIP

The Audit Committee of the Company comprise the following Directors:-

Yohan A Rajan\*  
Lee Hock Chye\*  
Michael Andrew Barclay Binney++ø  
Johan Zainuddin Bin Dzulkifli\*^

\* *Independent Non-Executive Director*

++ *Executive Director*

ø *A member of the Institute of Chartered Accountants in England and Wales specified in Part II of the 1st Schedule of the Accountants Act 1967 and has more than 3 years working experience.*

^ *A fellow of the Association of Chartered Certified Accountants and has more than 3 years working experience.*

### SECRETARY OF THE AUDIT COMMITTEE

Lim Seck Wah  
M. Chandrasegaran A/L S. Murugasu

The Audit Committee comprises three independent non-executive Directors with Yohan A Rajan as Chairman and one executive Director.

### MEETINGS AND MINUTES

Meetings shall be held not less than four times a year. The presence of external auditors will be requested, if required. Other Board members may attend meetings upon the invitation of the Audit Committee. The auditors, both internal or external, may request a meeting if they consider that one is necessary.

The quorum for meetings of Audit Committee shall be 3 members and the majority of the members present shall be independent directors.

The Secretary to the Audit Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

The Audit Committee had four meetings during the financial year ended 31 December 2005 and the attendance record is as follows:-

	Meetings attended
Yohan A Rajan	3/4
Lee Hock Chye	4/4
Michael Andrew Barclay Binney	2/4
Johan Zainuddin Bin Dzulkifli	3/4

The Group's external auditors attended two meetings during the period.

## **audit committee report**

### **SUMMARY OF ACTIVITIES**

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 31 December 2005 in the discharge of its functions and duties:-

- 1) Reviewed the Risk Base Audit Plan for the year ended 31 December 2005 to ensure adequate scope and coverage over the activities of the Group on a risk based approach, which was carried out by the Group Internal Audit.
- 2) Reviewed the Internal Audit Reports on audits carried out by the Group Internal Audit.
- 3) Reviewed the quarterly and annual financial statements to ensure inter alia that they were in compliance with the requirements of relevant authorities.
- 4) Reviewed the review of recurrent related party transactions entered into by the Company and the Group, which was carried out by the Group Internal Audit.

### **INTERNAL AUDIT FUNCTION**

The internal audit function of the Group is carried out and supervised by the Internal Audit of The Grande Holdings Limited, the holding company. During the financial year ended 31 December 2005, the internal audit carried out its duties in accordance with the annual audit plan and also reviewed the compliance of the new regulatory requirements of Bursa Malaysia Securities Berhad that were applicable to the Company. The internal audit function is conducted on a Group basis to ensure consistency in the control environment and the application of policies and procedures.

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

#### **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee include the following:-

- (i) Oversee all matters relating to external audit including the review of the audit plan and audit report and review of external auditors' management letter and management's responses.
- (ii) Oversee the internal audit department including the evaluation of the standards of internal control and financial reporting, review of internal audit programme, adequacy of the scope, functions, authority and resources of the internal audit department and audit findings and management's responses.
- (iii) Review of the quarterly results and year end financial statements, focusing particularly on:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.

## **audit committee report**

- (iv) Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.
- (v) Review any related party transactions that may arise within the Company or the Group.
- (vi) Nominate the external auditors for appointment, review any letter of resignation from the external auditors and proposal for reappointment of external auditors.
- (vii) Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

### **Authority**

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Committee is also authorized by the Board to obtain external legal or other independent professional advice as necessary.

## **internal control statement**

for the year ended 31 December 2005

### **Introduction**

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Below is the Board's Internal Control Statement.

### **Responsibility**

The Board of Directors recognises the importance of sound internal controls and risk management practices as part of good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, as well as reviews the adequacy and integrity of those systems. However it should be noted, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, any system can provide only reasonable assurance and not absolute assurance against material mis-statement or loss.

### **Risk management framework**

The Group has an organisation structure with clearly defined lines of accountability, in which authority is delegated at the right levels.

In June 2005, the internal auditors from the Group Internal Audit Division, conducted a survey to identify and analyze the following areas:-

- (i) Overall adequacy and effectiveness of the Company's systems of internal control on material planning procedures, inventory ordering system and spare parts management.
- (ii) Adequacy of disposal of excess materials.
- (iii) Recurrent related party transactions entered into by the Company.

The audit scope comprises of the review and assessment of relevant policies and procedures adopted by the management to ensure effective internal control mechanism is in place for the above areas under review. This includes adherence to the management policies, safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of the accounting records and timely preparation of reliable information.

The outcome of the survey is that there are appropriate action plans in place to eliminate, or at least mitigate such risks as identified.

**internal control statement**  
for the year ended 31 December 2005

As part of the risk management of the Group, the following monitoring measures are in place: -

- (i) The manufacturing plant conducts daily and monthly operational meetings. Management will also conduct monthly meetings to address important financial and operations issues.
- (ii) The Group Internal Audit Division evaluates the risk levels at appropriate times. They will perform checks on management strategies and control activities, and recommend measures to improve both operational efficiency and effectiveness.

**Other key elements of internal control**

The other key elements of the internal control systems are:

- clearly defined delegation of responsibilities to management including authorisation levels for various aspects of the business;
- timely management reports covering financial performance and key business indicators.
- adequately prepared business plans and budget that act as a target for the group to achieve.
- monitoring of results against budget, with major variances being followed up and management action taken, wherever necessary.

## board of directors



Mirzan Bin Mahathir



Lee Hock Chye



Ma Chi Chiu



Johan Zainuddin Bin Dzulkifli



Michael Andrew Barclay Binney



Yohan A Rajan



Ruby Lee Yen Kee