

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of Amcorp consists of:

Name	Designation	Directorship
Dato' Ab. Halim bin Mohyiddin *	Chairman	Independent Non-Executive Director
Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba	Member	Independent Non-Executive Director
General (Rtd) Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd Ali	Member	Independent Non-Executive Director
Tan Sri Dato' Lee Lam Thye	Member	Independent Non-Executive Director
Dato' Che Md Nawawi bin Ismail (appointed on 28.02.2006)	Member	Independent Non-Executive Director
Azmi Hashim	Member	Non-Independent Non-Executive Director
Soo Kim Wai *	Member	Non-Independent Executive Director

* Y. Bhg. Dato' Ab. Halim bin Mohyiddin and Mr. Soo Kim Wai are members of the Malaysian Institute of Accountants

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2006, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:

Name	No. of Meetings Attended
Dato' Ab. Halim bin Mohyiddin	4/4
Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba	4/4
General (Rtd) Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd Ali	3/4
Tan Sri Dato' Lee Lam Thye	4/4
Dato' Che Md Nawawi bin Ismail	N/A
Azmi Hashim	4/4
Soo Kim Wai	4/4

The Head of Internal Audit attended all the meetings held during the financial year. Other senior management members and the representatives of the external auditors also attended these meetings upon invitation to brief the Audit Committee on specific issues.

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TERMS OF REFERENCE

The terms of reference of the Audit Committee are as set out below:

1. Composition

1.1 The Audit Committee shall be appointed by the Board of Directors from amongst their numbers and shall consist of not less than three (3) members, the majority of whom shall be independent non-executive Directors of the Company.

1.2 The Board shall at all times ensure that at least one (1) member of the Audit Committee:

- must be a member of the Malaysian Institute of Accountants (MIA); or
- if he or she is not a member of MIA, he must have at least three (3) years' working experience and:
 - (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (b) he or she 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.

1.3 If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

1.4 The Chairman of the Audit Committee shall be approved by the Board of Directors and shall be an independent non-executive director.

1.5 No alternate director shall be appointed as a member of the Audit Committee.

1.6 The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

2. Quorum and Procedure

2.1 Meetings shall be held at least four (4) times in a financial year.

2.2 The quorum of meetings of the Audit Committee shall consist of not less than three (3) members; the majority of the members present must be independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

2.3 The Company Secretary shall be the Secretary of the Audit Committee.

2.4 The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel and external independent professional advisers to attend the meetings.

2.5 The Audit Committee shall meet with the external auditor without the presence of any executive member of the Board, at least once in a financial year.

2.6 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board.

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3. Authority

- 3.1 The Audit Committee is authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Audit Committee.
- 3.2 The Audit Committee shall have full and unrestricted access to any information pertaining to the Company and the Group.
- 3.3 The Audit Committee shall have direct communication channels with the internal and external auditors, and with the management of the Group, and shall be able to convene meetings with the external auditors, whenever deemed necessary.
- 3.4 The Audit Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, external legal or other independent professional advice it considers necessary.
- 3.5 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to the Exchange.

4. Responsibilities and Duties

The Audit Committee shall review and, where appropriate, report to the Board of Directors the following:

- a. Risk Management and Internal Control
 - The adequacy and effectiveness of risk management, internal control and governance systems instituted in the Company and the Group.
 - The Group's risk management policy and implementation of the risk management framework.
 - The appointment or termination of members of the risk management committee.
 - The reports of the risk management committee.

b. Internal Audit

- The adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Any appraisal or assessment of the performance of members of the internal audit function, including the Head of Internal Audit; and approve any appointment or termination of senior members of the internal audit function.

c. External Audit

- The external auditors' audit plan and scope of their audits, including any changes to the planned scope of the audit plan.
- The appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- The assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work.

d. Audit Reports

- Internal and external audit reports to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified.
- Major internal and external audit findings and management's responses, including status of previous audit recommendations.

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e. Financial Reporting

The quarterly results and the year end financial statements of the Company and the Group for recommendation to the Board of Directors for approval, focusing particularly on:

- changes in or implementation of accounting policies and practices
- significant adjustments arising from the audit
- significant and unusual events
- going concern assumption
- compliance with accounting standards and other legal requirements

f. Related Party Transactions

Any related party transaction and conflict of interest situation that may arise within the Company or the Group.

g. Allocation of Share Options

Verification on the allocation of share options to ensure compliance with the criteria for allocation of share options pursuant to the share scheme for employees of the Group, at the end of each financial year.

h. Other Functions

Any such other functions as the Audit Committee considers appropriate or as authorised by the Board of Directors.

- b. Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for their consideration and approval. The review was focusing particularly on changes of accounting policy, significant and usual event and compliance with applicable approved accounting standards in Malaysia and other legal and regulatory requirements.

• Internal Audit

- a. Reviewed the annual audit plan for adequacy of scope and comprehensive coverage on the activities of the Group.
- b. Reviewed the audit programmes, resource requirements for the year and assessed the performance of the internal audit function.
- c. Reviewed the internal audit reports, audit recommendations made and management responses to these recommendations and actions taken to improve the system of internal control and procedures.
- d. Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- e. Reviewed the Control Self-Assessment ratings submitted by the respective operations management.
- f. Reviewed the allocation of options during the year under the Amcorp Employees' Share Option Scheme ("ESOS") in accordance with the ESOS Bye-Laws.

SUMMARY OF ACTIVITIES

The Audit Committee had carried out the following activities during the financial year:

- **Financial Results**
 - a. Reviewed the quarterly unaudited financial results of the Group prior to recommending them for the approval by the Board.

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- **External Audit**

a. Reviewed with the external auditors:

- the audit planning memorandum, audit strategy and scope of work for the year.
- the results of the annual audit, their audit report and management letter together with management's responses to the findings of the external auditors.

b. Reviewed the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.

- **Related Party Transactions**

Reviewed the related party transactions entered into by the Group. Reviewed the recurrent related party transactions of a revenue or trading nature on quarterly basis.

- assets and resources are safeguarded and effectively used
- integrity of records and information is protected
- applicable laws and regulations are complied with

The emphasis of such audit visits encompass critical areas of the Group such as revenue, cost of sales, expenditure, assets, internal controls, operating performance and financial statement review. Audit reports are issued to highlight any deficiency or findings requiring the management's attention. Such reports also include practical and cost effective recommendations as well as proposed corrective actions to be adopted by the management. The audit reports and management's responses are circulated to the Managing Director, the Audit Committee and the Group Chairman for review and comments. Follow-up audits are then carried out to determine whether corrective actions have been taken by the management.

INTERNAL AUDIT FUNCTION

The Internal Audit Department undertakes the Group's internal audit function. A member of senior management heads this department. This department reports its findings to the Audit Committee. During the past financial year, the department undertook audit visits to all relevant subsidiaries and associates of the Group on a regular basis.

The objectives of such audit visits are to determine whether adequate controls have been established and are operating in the Group, to provide reasonable assurance that:

- business objectives and policies are adhered to
- operations are cost effective and efficient