

## COMPOSITION OF AUDIT COMMITTEE

The Committee is appointed by the Board from among its members and consists of three (3) members, all of whom are Independent Non-Executive Directors:-

- Chairman** - Lee Chaing Huat  
**Members** - Datuk Azizan Bin Abdul Rahman  
 - Abdul Rahman Bin Achmed

## TERMS OF REFERENCE

### Composition Of Audit Committee

The Committee shall be appointed by the Board from among its members and shall consist of not less than three (3) members fulfilling the following requirements:-

- a) all members are non-executive directors, with a majority of them being independent directors; and
- b) at least one member (or such number of members as maybe required by Bursa Securities) shall:-
  - i) be a member of the Malaysian Institute of Accountants; or
  - ii) have such financial related qualification or experience as maybe required by Bursa Securities.

The Committee shall elect the chairperson from among its members who shall be an independent director.

In the event that a member of the Committee resigns, dies or for any other 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.

### Terms Of Membership

Members of the Committee shall be appointed for an initial term of three (3) years. The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

### Meetings

The Committee shall meet at least four (4) times a year. The chairperson shall convene a meeting of the Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.

### Attendance At Meetings

The Head of Internal Audit, President and Chief Financial Officer shall normally attend the meetings. However, the Committee may invite the external auditors and any person to be in attendance to assist it in its deliberations.

## Secretary To Audit Committee

Any one (1) of the company secretaries shall be the secretary of the Committee. The agenda together with relevant explanatory papers and documents shall be circulated to committee members prior to each meeting.

The secretary shall be responsible for keeping the minutes of the meetings of the Committee, circulating them to the committee members and ensuring compliance with Bursa Securities requirements.

## Quorum

A quorum shall consist of a majority of committee members who are independent directors.

## Authority and Rights

The Company has established an internal audit function which is independent of the activities it audits and reports directly to the Committee.

The Committee is authorized by the Board to:-

- |                  |                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Authority</i> | <ul style="list-style-type: none"> <li>• Investigate any matter within its terms of reference;</li> <li>• Have the resources which are required to perform its duties;</li> <li>• Have full and unrestricted access to any information pertaining to the Company;</li> <li>• Obtain independent professional or other advice; and</li> </ul>                                      |
| <i>Rights</i>    | <ul style="list-style-type: none"> <li>• Have direct communication with the external auditors and person(s) carrying out the internal audit function or activity (if any);</li> <li>• To convene meetings with the external auditors, the internal auditors or both, without the attendance of other directors and employees of the Company, whenever deems necessary.</li> </ul> |

The Committee, whenever necessary and reasonable, for the performance of its duties, may seek any independent professional advice at the Company's expense to enable it to discharge its fiduciary duties diligently.

## Duties And Responsibilities

The duties and responsibilities of the Committee are:-

- To review the Company's and the Group's quarterly and annual financial statements before submission to the Board. The review shall focus on:-
  - changes in accounting policies and practices
  - major judgmental areas
  - significant audit adjustments from the external auditors
  - the going concern assumption
  - compliance with accounting standards
  - compliance with stock exchange and legal requirements

- To review with the external auditors their audit plan, scope and nature of audit for the Company and the Group.
- To consider the appointment of the external auditors, the terms of reference of their appointment, and question their resignation or dismissal, where applicable.
- To assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group by reviewing the external auditors' management letters and management response.
- To hear from the external auditors issues and concerns arising from their audits.
- To review the adequacy of the scope, functions, competency and resources of the internal audit function and ensure it has the necessary authority to carry out its work.
- To review the internal audit plan, consider the major findings of internal audit, fraud investigations and actions and steps taken by management in response to the audit findings.
- To review any related party transactions that may arise within the Company or the Group.
- To report to the Board its activities, significant results and findings.
- To undertake such other responsibilities as may be agreed between the Committee and the Board.

## MEETINGS

During the financial year, the Committee had held four (4) meetings and the attendance of the members was as below:-

Members	Attendance
Lee Chaing Huat (Appointed on 1 May 2008)	3 out of 3 meetings
Abdul Rahman Bin Achmed	4 out of 4 meetings
Datuk Azizan Bin Abdul Rahman	3 out of 4 meetings

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

### Financial Statements

During the year, the Committee had reviewed and appraised the annual audit plan and audit reports of both the Internal and External Auditors. The Committee also appraised the adequacy of actions taken by the Management in resolving the reported audit issues and in implementing suggested improvement measures.

The Committee reviewed the quarterly and year end financial statements before recommending to the Board for approval. All issues of the audit of the financial statements by the External Auditors were noted by the Committee and was satisfied that these issues had been adequately resolved.

### Internal Audit

Risks were assessed and the annual audit plan for year 2009 had been presented to and approved by the Committee. During the year, audits were performed in accordance with the annual audit plan. Risk-based audit reviews were conducted on areas of concern, as well as on all significant areas pertinent to the MBf Group. Audit reports incorporating audit recommendations were forwarded to management for its necessary actions and presented to the Committee and Board at their regular meetings. Corrective actions undertaken had been re-assessed at subsequent audits and found to be satisfactory.

## INTERNAL AUDIT FUNCTION

The Group Internal Audit Department assists the Committee in discharging its duties and responsibilities. Its role is to undertake regular and systematic reviews of internal control and then provide the Committee with independent and objective reports on the adequacy of internal controls and procedures in the operating business entities within the MBf Group as well as the extent of compliance with the MBf Group's policies and procedures, and are in compliance with applicable laws, regulations, directives and other externally enforced compliance requirements.

The activities carried out during the year were as follows:-

The Group Internal Audit Department continually reviewed and undertook audits of the MBf Group operations throughout the year. It participated in certain management meetings and from such attendance, had a better understanding of the operations. It also conducted special projects and investigations requested by management.

### Manpower

On the average, there were 19 auditors in the audit team to undertake the audits of the MBf Group comprising 5 Malaysian internal auditors, 10 Fijian internal auditors and 4 PNG internal auditors.

### Audit done

In total, 40 audits were conducted in 2008. This excludes occupational health and operational risks audits done in Fiji and PNG.

### Training

In addition to in-house training, the audit team had attended training courses and professional seminars to update their skills and knowledge.