

Audit Committee

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COMPOSITION

Eu Peng Meng @ Leslie Eu

(Chairman/Independent Non-Executive Director)

Tan Sri Datuk Seri Panglima Dr. Abu Hassan Bin Othman

(Member/Independent Non-Executive Director)

Dato' Cheong Keap Tai

(Member/Independent Non-Executive Director)

Primary Purposes

The Committee shall :-

- 1. Provide assistance to the Board of Directors ("Board") in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for YTL Land & Development Berhad and its subsidiaries ("Group").**
- 2. Assist to improve the Company and the Group's business efficiency, the quality of the accounting function, the system of internal controls and the audit function to strengthen the confidence of the public in the Company and the Group's reported results.**
- 3. Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.**

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4. Establish policies and procedures to access the suitability, objectivity and independence of the external auditors.
5. Ensure that the internal audit function is effective and able to function independently.
6. Strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Company and of the Group through their participation in the Committee.
7. Act upon the Board's request to investigate and report on any issues or concerns in regard to the management of the Company and the Group.
8. Review existing practices and recommend to management to formalise an ethics code for all executives and members of the staff of the Company and the Group.
9. Instil discipline and control to reduce incidence of fraud.

Composition

1. The Committee shall be appointed by the Board from amongst their number and shall comprise no fewer than three (3) members, all of whom must be non-executive directors, with a majority of them being Independent Directors.
2. All members of the Audit Committee should be financially literate. At least one member of the Audit Committee :-
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and :-
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
3. The Board must ensure that no alternate Director is appointed as a member of the Audit Committee.



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4. The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director. The Chairman of the Committee shall not be the Chairman of the Board.

5. In the event of any vacancy in the Committee resulting in the non-compliance of subparagraph 15.09(1) of the Bursa Securities Main Market Listing Requirements ("Main LR"), the Company must fill the vacancy within three (3) months.

Authority

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company :-

1. have explicit authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company and the Group;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
5. be able to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
6. be able to convene meetings with the internal auditors without the presence of other directors and employees of the Company, whenever deemed necessary; and
7. to meet with the external auditors at least twice a year without the presence of the other directors and employees of the Company.



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Functions and Duties

The Committee shall, amongst others, discharge the following functions –

1. Financial Reporting

(a) Review the quarterly financial results and annual financial statement, prior to its recommendation to the Board for approval, focusing particularly on :–

- changes in or implementation of major accounting policies and practices;
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
 - the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Company and the Group;
 - compliance with applicable approved accounting standards, other regulator and legal requirements;
- the going concern assumption.

2. External Audit

(a) Review the audit plan, scope of audit and audit report with the external auditors;

(b) Review with the external auditors their evaluation of the system of internal controls, during the course of their audit, including any significant suggestions for improvements and management's response;

(c) Review the assistance given by the employers of the Company to the external auditors;

(d) Recommend the nomination of a person or persons as external auditors and the audit fee;

(e) Review any letter of resignation from the external auditors of the Company;

(f) Review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;

(g) Review any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors.



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3. Internal Audit

(a) Review the adequacy of the scope, competency and resources of the internal audit functions and that it has the necessary authority and resources to carry out its work;

(b) Review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;

(c) Review any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the internal auditors.

4. Related Party Transactions

(a) Review any related party transaction and conflict of interest situation that may arise within the Company/Group and any related parties outside the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity.

5. Employees Share Option Scheme ("ESOS")

(a) Verify allocation of share options to the eligible employees pursuant to the criteria set out in the By-Laws of the ESOS in accordance to the Main LR.

6. Other Matters

(a) Carry out any other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company/ Group and ensure the effective discharge of the Committee's duties and responsibilities;

(b) Promptly report to Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Main LR.

Meetings

1. To form a quorum in respect of a meeting of the Committee, the majority of members present must be Independent Directors.

2. The Committee shall meet at least five (5) times a year, although additional meetings may be called at any time at the discretion of the Chairman of the Committee. An agenda shall be sent to all members of the Committee and any other persons who may be required/invited to attend. All meetings to review the quarterly financial results and annual financial statements, shall be held prior to such quarterly financial results and annual financial statements being presented to the Board for approval.

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3. Notwithstanding item 2 above, upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter which should be brought to the attention of the Directors or shareholders.
4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
5. The Committee may invite any Board member or any member of the management within the Company/Group whom the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports.
6. The internal auditors shall be in attendance at meetings of the Committee to present and discuss the audit reports of findings and the recommendations relating thereto and to follow up on decisions made at these meetings.
7. The Committee may establish any regulations from time to time to govern its administration.

Minutes

1. The Secretary shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
2. Minutes of each meeting shall also be distributed to the members of the Committee prior to each meeting.
3. Detailed minutes of the Committee's meetings will be made available to all Board members. A summary of significant matters and resolutions will be reported to the Board by the Committee.
4. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office of the Company and shall be opened to the inspection of any member of the Committee or the Board.

Secretary

The Secretary to the Committee shall be the Company Secretary.

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NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

During the financial year, a total of 5 Audit Committee meetings were held and the details of attendance are as follows:-

	Attendance
Eu Peng Meng @ Leslie Eu	3
Tan Sri Datuk Seri Panglima Dr. Abu Hassan Bin Othman	5
Dato' Cheong Keap Tai	5

SUMMARY OF WORK CARRIED OUT DURING FINANCIAL YEAR

The Audit Committee carried out the following work during the financial year ended 30 June 2018 in the discharge of its functions and duties:-

1. OVERSEEING FINANCIAL REPORTING

(a) Reviewed the following quarterly financial results and annual financial statements ("Financial Reports") prior to their recommendation to the Board of Directors for approval:-

- Quarterly financial results for the fourth quarter of financial year ended 30 June 2017, and the annual audited financial statements for the financial year ended 30 June 2017 at the Audit Committee meetings held on 24 August 2017 and 20 September 2017, respectively;
- First, second and third quarters of the quarterly results for the financial year ended 30 June 2018 at the Audit Committee meetings held on 21 November 2017, 21 February 2018 and 23 May 2018, respectively.

(b) Reviewed the variance analysis, in particular, the deviation of the profit after tax and minority interest in the audited financial statements for the financial year ended 30 June 2017 from that of the announced quarterly financial results for the financial year ended 30 June 2017 and confirmed that no obligation was triggered under Paragraph 9.19(35) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main LR").



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(c) At the Audit Committee meetings, the Senior Finance Manager/Finance Manager presented the Financial Reports wherein the following matters were reviewed and confirmed, with clarification and/or additional information provided wherever required by the

Executive Director primarily in charge of the financial management of the Company:-

- Appropriate accounting policies had been adopted and applied consistently, and other statutory and regulatory requirements had been complied with;
- The Company has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties that could lead to significant doubt as to the Group's ability to continue as a going concern;
- Significant judgements made by management in respect of matters such as assessment of net realisable value of inventories, impairment assessment of goodwill and investment in subsidiaries, provision for foreseeable losses arising from obligation to build low cost apartments and affordable housing units, and revenue recognition were prudent and the underlying assumptions and/or estimates used were reasonable in accordance with the requirements of the Financial Reporting Standards ("FRS");
- Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the FRS and the Main LR;
- The Financial Reports were fairly presented in conformity with the relevant accounting standards in all material aspects.

2. EXTERNAL AUDIT

(a) Reviewed with the external auditors, Messrs Ernst & Young ("EY"):-

- the audit results report on the audit of the financial statements for financial year ended 30 June 2017 setting out their comments and conclusions on the significant auditing and accounting issues highlighted, including management's judgements, estimates and/or assessments made, and adequateness of disclosures in the financial statements;
- the audit plan for the financial year ended 30 June 2018 outlining, amongst others, their scope of work, areas of audit emphasis, multi-location audit, and development in laws and regulations affecting financial reporting and the responsibilities of directors and management, and auditors.

(b) Reviewed the audit fees proposed by EY together with management and recommended the negotiated fees agreed by EY to the Board of Directors for approval.

(c) Had discussions with EY twice during the financial year, namely on 20 September 2017 and 23 May 2018, without the presence of management, to apprise on matters in regard to the audit and financial statements. EY confirmed there was full support and good co-operation from management and employees of the Company.



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(d) Reviewed the profiles of the audit engagement team and other support teams (tax accounting and risk advisory services, transaction advisory services, and IT risk and assurance) which enabled the Audit Committee to assess their qualification, expertise, resources, and independence, as well as the effectiveness of the audit process. EY also provided written confirmation of their independence in all of the reports presented to the Audit Committee. The Audit Committee also reviewed on a regular basis, the nature and extent of the non-audit services provided by EY and was satisfied with the suitability, performance, independence and objectivity of EY.

3. INTERNAL AUDIT

(a) Reviewed with the internal auditors the internal audit report on the audit findings and recommendations, management's responses and/or actions taken there to, and ensured that material findings were satisfactorily addressed by management;

(b) Reviewed and adopted the internal audit risk analysis report for 2018. Internal audit would leverage on the Group's risk analysis to focus on the business processes and relevant areas that address the key risks identified;

(c) Reviewed and adopted the risk-based internal audit plan for financial year ending 30 June 2019 to ensure sufficient scope and coverage of activities of the Company and the Group;

(d) Reviewed internal audit resourcing, with focus on ensuring that the function has sufficient resources together with the right calibre of personnel to perform effectively, and that the head of internal audit has adequate authority to discharge his functions objectively and independently.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

(a) Reviewed, on a quarterly basis, the RRPT entered into by the Company and/or its subsidiaries with related parties to ensure that the Group's internal policies and procedures governing RRPT are adhered to, the terms of the shareholder mandate are not contravened, and disclosure requirements of the Main LR are observed;

(b) Received updates on the directorships and shareholdings held by the Directors of the Company and persons connected with them via the general notices given under and in accordance with Section 221 of the Companies Act, 2016. These disclosures enabled an assessment of the potential or actual conflicts of interest which may arise in relation to related party transactions or RRPT;

(c) Reviewed the 2017 circular to shareholders in relation to the renewal of shareholder mandate for RRPT and new shareholder mandate for additional RRPT, prior to its recommendation to the Board of Directors for approval.

5. AMENDMENTS TO TERMS OF REFERENCE (“TOR”)

(a) Reviewed the proposed amendments to its TOR to include enhancements to its oversight role as introduced by the changes to the Main LR and practices recommended in the Malaysian Code on Corporate Governance (“MCCG 2017”), prior to approval of the Board of Directors.

6. ANNUAL REPORT

(a) Reviewed the Audit Committee Report, and Statement on Risk Management and Internal Control before recommending these to the Board of Directors for approval for inclusion in 2017 Annual Report.

INTERNAL AUDIT FUNCTION

The objective of the Internal Audit (“IA”) is to help management evaluate the effectiveness and efficiency of the internal control systems. The IA is part of the Company and the Group’s governance system, and according to the MCCG 2017, the IA is in charge of supervising internal control activities. IA’s goal is to focus mainly on risk-based audits related to operations and compliance that are aligned with the risks of the Company and the Group to ensure that the relevant controls addressing those risks are reviewed.

During the financial year, the IA Department evaluated the adequacy and effectiveness of key controls in responding to risks within the organisation’s governance, operations and information systems regarding:-

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with relevant laws, regulations and contractual obligations. The work of the internal audit function during the year under review include:-

1. Developed the annual internal audit plan and proposed the plan to the Audit Committee.
2. Conducted scheduled and special internal audit engagements, focusing primarily on the effectiveness of internal controls and recommended improvements where necessary.
3. Conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous audit reports.
4. Presented significant audit findings and areas for improvements raised by the IA to the Audit Committee for consideration on the recommended corrective measures together with the management’s responses.

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5. Conducted recurrent related party transactions reviews to assess accuracy and completeness of reporting for presentation to the Audit Committee, and ensure compliance with the Main LR.

6. Conducted discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan.

Costs amounting to RM82,708 were incurred in relation to the internal audit function for the financial year ended 30 June 2018.

