

AUDIT COMMITTEE REPORT

The Board of Directors of Jaya Tiasa Holdings Berhad is pleased to present the Audit Committee ("AC") Report for the financial year ended 30 June 2017.

COMPOSITION AND MEETINGS

Following the demise of Datuk Talib Bin Haji Jamal on 27 December 2016 and as at the date of this Report, AC has three (3) members, all of whom are Independent Non-Executive Directors.

Name of AC Members	Meeting Attendance
Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd) Chairman/Senior Independent Non-Executive Director	5/5
Mr John Leong Chung Loong Member/Independent Non-Executive Director	5/5
Dato' Wong Lee Yun Member/Independent Non-Executive Director	4/5

The Chairman of AC, Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd) ("TSAR") is currently also Chairman of the Board. Subsequent to the financial year end, the Board had on 24 August 2017 re-designated Dato' Wong Lee Yun as Chairman of AC in place of TSAR. Following the re-designation of AC chairmanship, TSAR will continue to serve on AC as a member. The re-designations will take effect from 01 November 2017.

All the members of AC are financially literate. Both John Leong Chung Loong and Dato' Wong Lee Yun, being members of professional bodies, have more than adequately fulfilled this criteria. TSAR has familiarised himself with financial knowledge gained over the years as directors of a few listed companies, thus considered him as financially literate.

The AC met five (5) times during the financial year under review. Details of the attendance of the members are stated in the Table above.

Senior Management officers including Chief Executive Officer and Chief Financial Officer were invited to attend all the AC meetings to brief AC or clarify on matters relating to their areas of responsibilities. The Head of the internal audit presented his Internal Audit Reports to the AC for review and discussion at the quarterly AC meetings. The External Auditors were also invited to attend two (2) of these meetings.

The AC chairman reported the AC's findings and conclusions to the full Board after each meeting.

RESPONSIBILITIES OF AC

The key responsibilities of the AC is to provide oversight on the financial reporting process, the audit process and system of internal controls. Detail of the terms of reference of AC is available on the Company's website at www.jayatiasa.net.

SUMMARY OF WORK OF AC

The main activities of the AC during the financial year included the following:-

Financial Reporting

- (a) Reviewed the unaudited quarterly financial statements and the annual audited financial statements of the Company and the Group.

In reviewing the unaudited quarterly financial statements, the AC had:-

- Assessed the appropriateness of the accounting policies applied and significant issues relating to the adoption of accounting policies and financial reporting standards;



AUDIT COMMITTEE REPORT (cont'd)

- Sought additional information and reports from the Chief Financial Officer ("CFO") and Chief Executive Officer on the reasons for the fluctuations in the quarterly and year-to-date financial performance of the Company and the Group, including key income, operating expenses and capital expenditures;
- Focused on profits contribution by business segments and their respective challenges;
- Enquired into variations in production figures for both the timber and oil palm divisions from those budgeted and discussed management's actions to address challenges on resources like labour, reduction in log production due to compliance with stringent certification rules introduced by the authority on all our timber licences;
- Studied and analysed the financial implications of reducing plywood production to determine the optimal production level in the utilisation of available resources; and
- Addressed the gearing of the Group and monitored action taken to balance the loan profiles/tenure to better match the cash flow.

For the annual audited financial statements of the Company and the Group, the AC reviewed it with the external auditor, Messrs. Ernst & Young ("EY") with particular focus on:

- Significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions, and how these matters are addressed; and
 - Compliance with the applicable approved accounting/auditing standards in Malaysia and other legal and regulatory requirements.
- (b) Discussed with EY on the audit coverage in relation to the Company's financial reporting processes, focusing on the consistency in the methodology used for impairment assessment and computation of impairment allowance, and the adequacy of the processes and procedures put in place to account for the significant adjustments made to the financial statements.

The AC, based on its review and discussions with Management and EY, considered that the financial statements were fairly presented in conformity with the relevant accounting standards in all material aspects for the financial year ended 30 June 2017.

Internal Audit

- (a) Reviewed and approved the 2017 internal audit plan to ensure adequate scope and comprehensive coverage over the activities of the Company and the Group and that all high risk areas are audited annually;
- (b) Reviewed the internal audit reports presented by the internal auditors at the quarterly AC meetings to ensure that appropriate actions had been taken to implement the audit recommendations. Where appropriate, internal audit findings were raised at Board meetings for further discussion of Management's responses and their adequacy;
- (c) Reviewed the internal control processes and considered recommendations including the Management's responses to ensure control weaknesses were being properly addressed; and
- (d) Monitored the progress of the corrective actions taken by the Management to ensure appropriate remedial actions were taken on a timely basis to address all key risk areas and control issues.

External Audit

- (a) Reviewed the external auditors' report which summarized significant audit, accounting and internal control issues identified during statutory audit for the year ended 30 June 2017; and
- (b) Reviewed with the external auditors, their audit plan for the financial year ended 30 June 2017, outlining the audit materiality, audit scope, methodology and timetable, areas of focus, key changes of the Companies Act 2016, new accounting standards and proposed fees for the audit services rendered by the external auditors for the financial year ended 30 June 2017.

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Recurrent Related Party Transactions ("RRPT")

- (a) Reviewed and discussed report on RRPT to ensure that all RRPT were undertaken on arm's length basis and on normal commercial terms consistent with the Company's usual business practices and policies which are not more favourable than those generally available to the public and are not detrimental to the minority shareholders;
- (b) Monitored the threshold of RRPT to ensure compliance with the LR of Bursa Securities; and
- (c) Reviewed and recommended to the Board for approval the Circular to Shareholders in relation to the proposed renewal of shareholders mandate for the Company and its subsidiaries to enter into RRPT of a revenue or trading nature with related parties.

Others

- Reviewed and recommended to the Board for approval the Statement on Corporate Governance, AC Report and Statement on Risk Management and Internal Control for inclusion in annual report.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is carried out independently by Internal Audit Department ("IAD"). IAD is established to assist management and the board of directors through Audit Committee ("AC"), in ensuring internal controls over safeguarding of shareholders' investment, the interest of stakeholders and the Group's resources are adequate and effective. IAD is guided by the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors.

Objective

The objective of IAD is to provide independent and objective assurance on governance, risk management and control systems adopted by the Group and make recommendations to improve the Group's operations.

Audit Scope and Coverage

IAD adopts a risk based auditing approach, prioritizing audit assignments based on the group's key business operations, risk management and past audit findings. The key audit findings with recommendations and status of previous audits' recommendations were presented to head office senior management and operation unit management in the exit conference. During the Financial Year, IAD issued 27 audit reports. The Head of IAD presents quarterly his key audit findings to the AC at the AC meeting.

IAD executes audit assignments based on approved audit plan and performs the following tasks in accordance with its overall strategy:

- Verify the existence of assets and recommend proper safeguards for their protection;
- Evaluate the adequacy of the system of internal controls;
- Recommend improvements in controls;
- Assess compliance with the Group policies and procedures;
- Assess compliance with government obligations;
- Review Management action plans to ascertain whether the plans are being carried out as planned; and
- Investigate reported occurrences of irregularities and wastages.



AUDIT COMMITTEE REPORT (cont'd)

Key Activities of Areas audited during the Financial Year

- Oil Palm Plantation Operations
 - FFB production growth monitoring
 - Harvesting frequency
 - Worker payroll and contract works payment verification
 - FFB delivery control
 - Field Upkeep and Maintenance activities
 - Labor workforce
 - Store/inventory Management
 - Fixed Assets
- Crude Palm Oil (CPO) Mill Operations
 - OER & KER performance
 - CPO/Kernel quantity control
 - Store/inventory Management
 - Fixed Assets
 - House Keeping
- IT system
 - System Security
 - Data Integrity
- Human Resource
 - Recruitment costs for the Group's key operations
- Planted Forest
 - Ground Planting Progress Verification
 - Labor Workforce

IAD Team and spending

IAD team has a total of 13 auditors as at 30 June 2017.

All the members of IAD do not have any conflicts of interests with the companies within the Group. During the year, all the internal audit activities were performed in-house and the total cost incurred was RM522,442 for the financial year ended 30 June 2017.

This Audit Committee Report was approved by the Board on 17 October 2017.