

AUDIT COMMITTEE REPORT

The Board of Directors of Asia Bioenergy Technologies Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 March 2017.

A. COMPOSITION AND MEETINGS

The composition of the Committee and the attendance by each member at the Committee meetings held during the year are as follows:

Members	Attendance of meetings	Percentage attendance
*Ong Tee Kein (Chairman) <i>Independent Non-Executive Director</i>	4/4	100%
Chu Chee Peng <i>Senior Independent Non-Executive Director</i>	4/4	100%
YM Tengku Ahmad Badli Shah Bin Raja Hussin <i>Non-Independent Non-Executive Director</i>	3/4	75%

B. TERMS OF REFERENCE OF AUDIT COMMITTEE

The full details of terms of reference of the Audit Committee are published on the Company's website at www.asiabio.com.my.

C. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 March 2017, the Audit Committee has carried out its duties as set out in terms of reference. These include:

- a. Reviewed the quarterly financial results, audited financial statements and annual report of the Group and the Company and ensure, amongst others, that it complies with applicable financial reporting standards prior to submission to the Board of Directors for consideration and approval;
- b. Reviewed the minutes of meetings of the Audit Committee;
- c. Reviewed the acquisition of major investment or fixed assets prior recommending the same to the Board for approval;
- d. Reviewed the corporate proposals to be undertaken by the Company;
- e. Reviewed the external auditors' audit plans and scope of work for the year and for the Group;
- f. Reviewed the external auditors' findings arising from audits and in particular, responses and appropriate action taken by Management.
- g. Reviewed the fees and expenses paid to the external auditors and to assess the independence of the external auditors for the re-appointment as external auditors. The Audit Committee is of the opinion that the independence of the external auditors has not been compromised based on the confirmation provided by the external auditors.
- h. Reviewed the internal audit reports by the Internal Auditors and the action plans taken by Management to resolve the issues to ensure adequacy of the internal control system;
- i. Conducted private meetings with the External Auditors without the presence of Executive Directors or employees of the Group;

C. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

- j. Reviewed the internal audit function of the Group;
- k. Reviewed the Terms of Reference of the Audit Committee;
- l. Reviewed the financial status of the Company and its investee companies; and
- m. Reviewed the potential related party transaction of the Group.

D. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm to provide the Audit Committee with an independent assessment on the adequacy and effectiveness of the Group's risk management and system of internal control. Cost incurred for the internal audit function in respect of the financial year ended 31 March 2017 amounted to RM23,414.

The role of the internal audit function is independent and not related to the Group's External Auditors. The internal audit function includes evaluation on the processes by which significant risks are identified, assessed and managed and ensures that instituted controls are appropriate and effectively applied and the risk exposures are consistent with the Company's risk management policy.

The internal audit division conducts scheduled internal audits based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and ascertains that the risks are effectively mitigated by controls. Periodic reports are then tabled to the Audit Committee on improvements, recommendations and follow-ups.

During the financial year ended 31 March 2017, the internal auditors carried out duties in areas covering the investment procedures of Asiabio Capital Sdn. Bhd. and status of compliance of audit finding in respect to Eco-Sponge Sdn. Bhd. The Internal Audit Reports were tabled to the Audit Committee at the Audit Committee Meeting for discussion on the audit findings and suggestion for improvement for Management's further action.

The details of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control of this Annual Report.