

**LEE SWEE KIAT GROUP BERHAD**  
(200301005163) (607583 T)  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**A. COMPOSITION AND MEMBERSHIP**

The Audit Committee shall be appointed by the Board of Directors from amongst the Directors and shall compose of:-

- (1) not less than three (3) members.
- (2) all must be Non-Executive Directors with majority of them being independent directors.
- (3) at least one (1) 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 three (3) years' working experience and:-
    - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - (ii) he must be a member of one of the association of accountants specified in Part II of 1st Schedule of the Accountants Act 1967.
  - (c) fulfils such other requirements as prescribed or approved by the Exchange.
- (4) no alternate director shall be appointed as an Audit Committee member.

In the event of any vacancy in an Audit Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.

Any former key audit partners of the Company must have observed a cooling-off period of at least two (2) years before he is eligible for appointment as an Audit Committee member.

The term of office and performance of the Audit Committee and each of its members shall be reviewed annually to determine whether the Audit Committee and members have carried out their duties in accordance with its terms of reference.

**B. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Audit Committee shall include reviewing the following and report the same to the Board of Directors:-

- (1) To discuss with the external auditors, the audit plan, his evaluation of the system of internal controls, his audit report;
- (2) To discuss with the external auditors before the audit commence, the nature and scope of the audit, including the terms as detailed in the external auditor's engagement letter, and ensure coordination where more than one audit firm is involved;
- (3) To review the assistance given by the employees of the Company to the external auditors;
- (4) To conduct private meeting with external auditors at least twice a year without the presence of Management on issues relating to external audit;
- (5) To review the external auditors' management letter and management's responses;
- (6) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of the management where necessary);
- (7) To establish formal policies and procedures in governing circumstances for contracts of non-audit services to be entered with external auditors;
- (8) To establish policies and procedures to assess the suitability and independence of external auditors;
- (9) To obtain written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements;
- (10) To carry out annual review of the performance of the external auditors, including assessment of suitability and independence of external auditors in the performance of their obligations as external auditors;
- (11) To review and monitor suitability and independence of the external auditors;

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- (12) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (13) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (14) To review any appraisal or assessment of the performance of members of the internal audit function;
- (15) To approve any appointment or termination of senior staff members of the internal audit function;
- (16) To take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- (17) To ensure the internal audit function is independent of the activities it audits and the internal audit function reports directly to the Audit Committee;
- (18) To review the quarterly results and year-end financial statements, prior to the approval by the Board of Directors focusing particularly on:-
  - (a) changes in or implementation of major accounting policy changes;
  - (b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters addressed; and
  - (c) compliance with accounting standards and other legal requirements.
- (19) To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (20) To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (21) To review and provide opinion on the effectiveness of the related system of risk management and internal control in managing the significant risks, including exception reporting on significant risk management and control failures or weaknesses, which have a material impact on the Company's financial position;

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- (22) To consider major findings of internal investigations and management's response;
- (23) To report promptly to the Exchange where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- (24) To review any letter of resignation from the external auditors;
- (25) To discuss and review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (26) To recommend the nomination of a person or persons as external auditors; and
- (27) To carry out any other function that may be mutually agreed upon by the Audit Committee and the Board of Directors.

**C. RIGHTS OF THE AUDIT COMMITTEE**

In performing of its duties and responsibilities, the Audit Committee shall:-

- (1) have 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;
- (4) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (5) be able to obtain independent professional or other advice; and
- (6) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive board members and employees of the Company, whenever deemed necessary.

**D. PROCEDURE OF AUDIT COMMITTEE MEETING**

**Chairman**

The Chairman, who shall be an Independent Director, shall be elected by the Audit Committee from among their members. The Charman of the Audit Committee shall not be the Chairman of the Board.

If at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members present shall choose one of their numbers, to act as Chairman.

**Quorum**

The majority of members who must be the Independent Directors present shall be a quorum.

**Attendance**

The financial director, the head of internal auditors and a representative of the external auditors should normally attend the meetings. Other board members may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee should meet with the external auditors and internal auditors or both without executive board members present at least twice a year.

Any one of the Company Secretaries or such substitute as appointed by the Directors from time to time shall act as the secretary of the Audit Committee during the term of his /her appointment.

**Calling**

Any member may at any time, and the financial controller and the Secretary shall on the requisition of any of the members or the external auditors summon a meeting.

The Audit Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the Audit Committee Members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting. Minutes of proceedings of such meeting are sufficient evidence of the proceedings to which it relates.

**Frequency**

Meetings shall be held at least five (5) times a year.

**Notice**

Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to any member either personally or by sending it via fax or through the post or by courier or by e-mail to such member to his registered address as appearing in the Register of Directors, as the case may be.

**Voting**

A resolution put to the vote of the meeting shall be decided on a show of hands.

In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote.

**Written Resolutions**

A written resolution signed or approved via letter, telex, facsimile, email by all members shall be effective for all purposes as a resolution passed at a meeting of the Audit Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

**Keeping of minutes**

The 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 shall be circulated to the Audit Committee and the Board of Directors.

**Custody, production and inspection of such minutes**

The minutes shall be kept by the Company at the Registered Office or the principal place of business in Malaysia of the Company, and shall be open to the inspection of any member of the Audit Committee without charge.

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