

**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 *First 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 the *First Schedule* of the Accountants Act 1967.
  - (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- (4) *All members of the Audit Committee should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.*

No Alternate Director shall be appointed as an Audit Committee member.

*The Chairman of the Audit Committee shall be an Independent Director who shall be elected among their members. The Chairman of the Board shall not be a member of the Audit Committee.*

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 *of the event*.

*Any former partners of the external audit firm of the Company must observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee. This shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.) of the Company or any entity within the Group.*

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. *The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Audit Committee may engage the audit firm on matters typically covered in the Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;*
- (11) 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;
- (12) 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;
- (13) To review any appraisal or assessment of the performance of members of the internal audit function;
- (14) To approve any appointment or termination of senior staff members of the internal audit function;
- (15) To take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- (16) To ensure the internal audit function is independent of the activities it audits and the internal audit function reports directly to the Audit Committee;
- (17) 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.
- (18) 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;

- (19) To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (20) 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;
- (21) To consider major findings of internal investigations and management's response;
- (22) To report promptly to *Bursa Malaysia Securities Berhad* 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;
- (23) To review any letter of resignation from the external auditors;
- (24) To discuss and review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (25) To recommend the nomination of a person or persons as external auditors; and
- (26) 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. REPORTING**

- (1) *The Audit Committee Chairman shall report formally to the Board of Directors on its proceedings after each meeting on all matters within its duties and responsibilities; and*
- (2) *The Audit Committee shall make whatever recommendation to the Board of Directors it deems appropriate on any area within its remit where action or improvement is needed.*

**E. PROCEDURE OF AUDIT COMMITTEE MEETING**

**Calling**

*Any Audit Committee member may at any time, and the Chief Financial Officer and the Secretary shall on the requisition of any of the members or the external auditors summon a meeting.*

*The Audit Committee shall hold at least four (4) meetings each financial year or more frequently as circumstances may dictate, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.*

*Upon the request of the external auditors, the Chairman of the Audit Committee must convene a meeting of the Audit Committee to consider any matter the external auditors believes should be brought to the attention of the Directors or shareholders.*

**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.

**Meeting and Mode of 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. The technology to be used for the purpose of this paragraph must enable each Audit Committee member taking part in the meeting to communicate simultaneously with each of the Audit Committee members and may include telephone, video conferencing, or any other audio and/or visual device which permits instantaneous communication.*

*A virtual meeting shall be deemed to constitute an Audit Committee meeting provided the following conditions are met:-*

- (i) *All the Audit Committee members for the time being entitled to receive notice of the Audit Committee Meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as permitted by the Constitution; and*
- (ii) *An Audit Committee member may not leave a virtual meeting by disconnecting from the technology used unless he has previously expressly notified the Chairman of the meeting of his intention to leave the meeting and an Audit Committee member shall be conclusively presumed to have been present and to have formed part of the quorum at all times during such a meeting until such notified time of his leaving the meeting.*

*A minute of the proceedings of meetings including virtual meetings shall be sufficient evidence of such proceeding and of the observance of all necessary formalities if certified as a correct minute by the Chairman of the meeting or the next succeeding meeting.*

*The main venue of the Audit Committee meeting shall be the place where the Chairman is present or the Chairperson of the meeting is present, if the meeting is not chaired by the Chairman.*

#### **Quorum**

The quorum for the Audit Committee meeting shall be majority of members present who must be the Independent Directors.

#### **Chairman of Meeting**

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, who shall be an Independent Non-Executive Director, to act as Chairman of the meeting.

*The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman of the Company, the Managing Director, the Chief Financial Officer, the head of internal audit (if any) or representative(s) of the internal auditors and representative(s) of the external auditors in order to be kept informed of matters affecting the Company.*

#### **Voting**

*Questions arising at any Audit Committee meeting shall be decided by the majority votes of its members present. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. However, at meetings where two (2) members are*

*present or when only two (2) members are competent to vote on an issue, the Chairman of the Audit Committee will not have the second or casting vote.*

**Attendance**

The Chief Financial Officer, 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.

**Secretary**

*The Company Secretary or other persons appointed by the Board (if any) shall be the Secretary of the Audit Committee during the term of his appointment and shall be responsible, with the concurrence of the Chairman of the Audit Committee, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting and shall be entrusted to record all proceedings and minutes of all meetings of the Audit Committee.*

**Written Resolutions**

*The Audit Committee may pass a resolution by way of a written resolution. A written resolution signed or approved all members shall be effective for all purposes as a resolution passed at a meeting of the Audit Committee duly convened and held. Any such resolution may be accepted as sufficiently signed by an Audit Committee member if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the Audit Committee members and may consist of several documents in like forms, each signed by one or more members of the Audit Committee.*

**Keeping of Minutes**

*The Company shall cause minutes of all proceedings of the Audit Committee meeting to be entered in the books kept for that purpose. 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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