LEON FUAT BERHAD
[Reg. No. 200601036648 (756407-D)]

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Constitution

The Board of Directors has established a Committee of the Board and is known as the Audit Committee (hereinafter referred to as the “Committee”).

Authority

The Committee assists the Board in fulfilling its fiduciary duties and responsibilities relating to corporate accounting, financial reporting practices, system of internal control, the audit process and the process of monitoring compliance with laws and regulations.

Membership

1. The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent.

2. At least one member of the Committee:-
   - (i) must be a member of the Malaysian Institute of Accountants; or
   - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:-
     - ➢ he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
     - ➢ he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
   - (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad (“Bursa Securities”).

3. No alternate director shall be appointed as a member of the Committee.

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

5. The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Committee.

6. If a member of the Committee resigns or for any other reason ceases to be a member resulting the number of members to reduce to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

7. Any former partner of the external audit firm *(applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.)* must have observed a cooling-off period of at least three years before being considered for appointment as a member of the Committee.

Meetings and Minutes

1. The Committee shall meet at least four (4) times in a financial year or more frequently as the Chairman of the Committee considers necessary or appropriate.

2. The quorum for the meetings of the Committee shall be at least two (2) members, majority of whom must be Independent Directors.

3. The Committee may request other Directors, Senior Management, Chief Financial Officer, representatives of the internal auditors and external auditors and such other persons the Committee may consider appropriate to attend the meetings of the Committee.

4. At least twice in a financial year, the Committee shall meet with the external auditors and internal auditors without the Executive Directors being present.

5. The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be opened for inspection of any member of the Committee and the Board of Directors.

6. The Committee may deal with matters by way of a circular resolution in writing, in lieu of convening a formal meeting. The circular resolution, signed by a majority of the members of the Committee, shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened.

Authority

1. The Committee is authorised by the Board to review and investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Committee.

2. The Committee is authorised by the Board to obtain external independent professional or other advice, the expenses of which will be borne by the Company and to invite outsiders to attend the Committee's meetings if it considers necessary.

3. The Committee shall have direct communication channels with the external auditors and internal auditors person(s) carrying out the internal audit function or activity.

4. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

5. The Internal Auditors shall report directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit.

Functions and Duties

The duties and responsibilities of the Committee shall include the following:

(i) Review the following and report to the Board of Directors of the Company:-

(a) with the external auditors, the audit plan, the nature and scope of work to ensure that it will meet the needs of the Board, the shareholders and regulatory authorities;

(b) with the external auditors, their evaluation of the quality and effectiveness of accounting system, adequacy and integrity of the internal control system and the efficiency of the Group's operations;

(c) with the external auditors, their audit report;

(d) the assistance given by the employees of the Group to the external and internal auditors;

(e) 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 including inter-alia the appointment of internal auditors;

(f) the internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and Management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;

(g) review and assess the performance of the external auditors on an annual basis including its suitability, objectivity and independence.

(h) review and assess the performance of the internal auditors;

(i) the quarterly results and annual financial statements prior to the approval by the Board of Directors, focusing particularly on:-

- changes in or implementation of major accounting policies and practices;
- major judgment areas, significant and unusual events;
- significant adjustments arising from the audit;
- the going concern assumptions;

- compliance with accounting standards, other statutory and legal requirements and the going concern assumption; and
- the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group.

(j) any related party transactions and/or recurrent related party transactions ("RRPTs") and ensure adequate procedures and processes in place to monitor the RRPTs ;

(k) review any conflicts of interest situation that may arise within the Company or Group including any transaction, procedure or conduct that raises questions of management integrity;

(l) any letter of resignation from the external auditors and internal auditors of the Company;

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

(n) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, including comments and responses in the management letters.

(ii) Review any matters concerning the appointment, re-appointment and dismissal of the external auditors and internal auditors, their audit fees and render its recommendations accordingly to the Board of Directors.

(iii) Review the effectiveness of the Group's risk management framework and systems including the overall risk profile of the Group, the resources of the management in the risk management process and implementation of management action plans to address or mitigate the identified significant risks. The Committee is supported by the Risk Management Working Group comprising representatives from the subsidiary companies.

(iv) Review and approve the appointment and where appropriate, replacement of the Chairman of Risk Management Working Group who shall have a reporting relationship with the Committee.

(v) Review and assess the performance of the Risk Management Working Group on an annual basis.

(vi) Ensure the internal audit function of the Company reports directly to the Committee.

(vii) 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 Bursa Securities' Listing Requirements.

(viii) Review the Audit Committee Report and Statement of Risk Management and Internal Control prepared for disclosure in the annual report of the Company.

(ix) Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

Review of the Terms of Office

The Nomination Committee shall review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with the Terms of Reference.

Reporting Responsibilities

1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its duties and responsibilities where action or improvement is necessary.