

TEO GUAN LEE CORPORATION BERHAD
Reg. no.: 199301028971 (283710-A)

TERMS OF REFERENCE – AUDIT COMMITTEE

Composition

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than 3 members of whom all must be Non-Executive Directors with a majority of them being independent directors. A quorum shall be 1 independent member.

The Committee Members shall not be:

- a) Executive Directors of the Company or any related corporation;
- b) A spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation; or
- c) Any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee
- d) Chairman of the Board must not be in the committee

All members shall be financially literate and at least 1 member of the Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of Malaysian Institute of Accountants, must have at least 3 years working experience and either have passed the examination specified in Part I of the First Schedule of the Accountants Act 1967, or a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The members of the Committee shall select a Chairman from among their members who is not an Executive Director or employee of the Company or any related corporation.

The Chairman of the Audit Committee shall be an independent director and must not be the chairman of the Board.

If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

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

Authority

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Functions

The functions of the Committee shall be:

- a) to consider and recommend the nomination of a person or persons as auditors together with such other functions as may be agreed to by the Audit Committee and the Board of Directors;
- b) to discuss with the external Auditors on their audit plan including the assistance given by the employees of the Company to the external Auditors;
- c) to assess annually the suitability and independence of internal auditors and external audit firm;
- d) to review the quarterly and year-end financial statements of the Company, focusing particularly on:
 - i) any changes in or implementation of accounting policies and practices;
 - ii) significant adjustments arising from the audit and any significant and unusual events; and
 - iii) compliance with accounting standards and other legal requirements.
- e) to consider any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- f) to review the major risk area of the Group;

- g) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- h) to review evaluation by the External Auditors on the System of Internal Controls, the External Auditors' management letter and management's response;
- i) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- j) to review the internal audit programme, processes, 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;
- k) to consider the major findings of internal investigations and management's response;
- l) to establish policy that requires a former key audit partner of the external audit firm and/or the affiliate firm (including those providing non-audit services) to observe a cooling-off period of at least three years before appointed as a member of the Audit Committee;
- m) to review the financial reporting process, detection of financial irregularities, to ascertain that the financial statements are consistent with operational information; and
- n) to assess and recommend on among others the appointment and removal, scope of work, performance evaluation and budget for the internal audit function.
- o) to assess and approve the non-audit services before they are rendered by the external auditor and its affiliates while taking into account the nature and extend of the non-audit services and appropriateness of the level of fees.
- p) to verify that the allocation of options at the end of each financial year is in compliance with the allocation criteria stipulated in the By-Law of the LTIP.

Attendance at Meetings

The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other Departments deemed necessary together with a representative or representatives from the External Auditors. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the External Auditors without executive Board members present.

The Company Secretary shall be the Secretary of the Committee.

The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.