

TERMS OF REFERENCE OF AUDIT COMMITTEE
--

OBJECTIVES

The primary function of the Committee is to assist the Board in fulfilling its responsibilities in assessing the Group's processes relating to its risks and control environment. The Committee also oversees financial reporting and evaluates the internal and external audit processes. The Committee acts on behalf of the Board to ensure that:

- adequate attention is paid to the effectiveness, efficiency and economy of the Group's operations;
- the internal audit function is operating effectively and in accordance with the Standards for the Professional Practice of Internal Auditing;
- adequate systems of governance, risk management and internal control are in operation so as to produce accurate and meaningful management information;
- the financial statements of the Group complies with the applicable financial reporting standards;
- the quarterly results and year-end financial statements are reviewed prior to the approval by the Board;
- major litigation, claims and/or issues with substantial financial impact (if any) are assessed; and
- there are open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information.

COMPOSITION

The Committee shall be appointed by the Board from amongst their numbers and shall consist of not less than three (3) members. All the members of the Committee must be non-executive directors, with a majority of them being independent directors.

All members of the Committee shall be financially literate and at least one of the members of the Committee must fulfill the Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Malaysia. A former key audit partner has to observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee. The Chairman will be elected among the members of Committee.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

LII HEN INDUSTRIES BHD
(COMPANY NO.:199401015681 / 301361-U)

TERMS OF REFERENCE OF AUDIT COMMITTEE
--

No alternate Director shall be appointed as a member of the Committee. The Company Secretary shall be the Secretary of the Committee.

(Revised on 22 March 2018)

AUTHORITY

In carry out its duties and responsibilities, the Committee:

- is authorized by the Board to seek any information it requires from employees, who are required to cooperate with any request made by the Committee and shall have unlimited access to any information pertaining to the Group. All employees are directed to cooperate with any request made by the Committee;
- shall have direct communication channels with the internal and external auditors as well as with senior management of the Group and can obtain independent professional advice it considers necessary at the expense of the Company;
- shall have the power to establish Sub-Audit Committee to carry out certain investigation on behalf of the Committee and at such manner as the Committee shall deem fit and necessary; and
- to meet with the external auditors at least twice a year without the presence of the Executive Directors and senior management.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are as follows:

Internal Audit

- Review and report on the adequacy and effectiveness of the internal audit scope and plan, functions, competency and resources of the internal audit function and ensure that it has necessary authority to carry out its work;
- Review the results of the Group's internal audit procedures and the adequacy of actions taken by the Management based on the reports including the status of previous audit recommendations;
- Review the adequacy and effectiveness of system of risk management and internal control; and
- Provide recommendation to the Board for certain tasks of the internal audit functions to be outsourced if no sufficient resources to carry out the function.

External Audit

- Make recommendations to the Board on the appointment and reappointment of external auditors, their remuneration and review any question of resignation or dismissal;

LII HEN INDUSTRIES BHD
(COMPANY NO.:199401015681 / 301361-U)

TERMS OF REFERENCE OF AUDIT COMMITTEE
--

- Review with the external auditors before the audit commences, the audit plan, the scope of their audits and reports;
- Review major audit findings and response with management and external auditors including the status of previous audit recommendations as shown in external auditors' management letter;
- Review the assistance given by the employees of the Group to the auditors and any difficulties encountered in the course of the audit work;
- Ensure the independence of external auditors throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements; and
- Ensure the engagement team conducting the non-audit services to be different from the external audit team.

Financial Reporting

- Review the quarterly and annual financial statements of the Group and of the Company for recommendation to the Board for approval, focusing particularly on:
 - any changes in or implementation of major accounting policies and practices;
 - significant adjustments and unusual events arising from the audit;
 - the going-concern assumption; and
 - compliance with applicable accounting standards, Listing Requirements of Bursa Malaysia and other legal and regulatory requirements.

Related Party Transactions

- Review any related party transactions and conflict of interests situation that may arise within the Group and the Company to ensure that they are in the best interest of the Group; fair; reasonable and on normal commercial terms; and not detrimental to minority interest;
- Review the procedures of recurrent related party transactions undertaken by the Company and the Group; and
- Ensure full disclosure of all related party transactions and full compliance with periodic reporting and financial requirements.

Bursa Reporting

- Report promptly to Bursa Malaysia if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements; and

LII HEN INDUSTRIES BHD
(COMPANY NO.:199401015681 / 301361-U)

TERMS OF REFERENCE OF AUDIT COMMITTEE
--

- Review the application of corporate governance principles and the extent of the Group's compliance with the best practices as set out in the Malaysian Code of Corporate Governance.

Other Functions

- Review the whistle blowing policy and risk management framework from time to time and significant changes to risk management policies and strategies; and
- Consider and examine any other matters as agreed by the Board and the Committee.

RIGHTS

The Committee shall ensure to have authority where necessary and reasonable for the performance of its duties and in accordance with a procedure by the Board of Directors as follows:

- To investigate any matter within its terms of reference;
- To have full and unrestricted access to any information pertaining to the Group;
- To have resources required to perform its duties;
- To communicate directly with the external auditors and internal auditors;
- To obtain independent professional advice; and
- To convene meetings with the external auditors and internal auditors in the absence of the Executive Directors and senior management, whenever deemed necessary.

MEETINGS

The Committee normally meets at least five (5) times a year, scheduled well in advance before the end of the current financial year to facilitate the Committee's members in planning ahead their attendance for the forthcoming year, and such additional meetings as the Chairman shall decide in order to fulfill its duties.

The agenda for the Committee meetings, as set by the Company Secretary in consultation with the Committee's Chairman shall be circulated before each meeting to members of the Committee at least five (5) days before the meeting. Upon request of any of its members or the internal auditors or the external auditors, the Chairman of the Committee shall convene a meeting of the Committee.

The Chairman of the Committee should engage on a continuous basis with senior management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

LII HEN INDUSTRIES BHD
(COMPANY NO.:199401015681 / 301361-U)

TERMS OF REFERENCE OF AUDIT COMMITTEE
--

QUORUM

The quorum for the Committee meeting shall consist of two members of whom the majority of the members present shall be independent directors.

ATTENDANCE AND MEETINGS

The Company Secretary shall be responsible for the coordination of administrative details including sending out notice of meetings, preparing and keeping minutes of meetings. The minutes of the Committee meetings are to be extended to the Board.

The senior manager of corporate & finance, a representative of outsourced internal auditors and a representative of the external auditors shall normally attend meetings. The Committee may invite any person to be in attendance to assist its deliberations. Other Board members may attend meetings upon the invitation of the Committee. The Committee shall meet with the external auditors without executive board members and senior management present at least twice a year.