

LOTUS KFM BERHAD

Registration No.: 198401007083 (119598-P)

AUDIT COMMITTEE'S TERMS OF REFERENCE

1.0 COMPOSITION

- 1.1 The members of the Audit Committee shall be appointed by the Board from amongst the Directors, and shall consist of not less than 3 members and all members shall be Independent Non-Executive Directors.
- 1.2 At least one (1) member of the Audit Committee:
 - a) must be a member of the Malaysian Institute of Accountants;
 - b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least 3 years' working experience and:-
 - i) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - ii) he/she 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) he/she must be a person approved under Practice Note No. 13/2002 on the MMLR of Bursa Malaysia Securities Berhad.
- 1.3 In the event of any vacancy in an audit committee resulting in the non-compliance of paragraphs 15.09(1) and 15.10 of the Main Market Listing Requirements, the Board must fill the vacancy within 3 months.
- 1.4 The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.
- 1.5 All Members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. Members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

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2.0 CHAIRMAN

2.1 The Chairman of the Audit Committee must be an Independent Non-Executive Director and shall be elected from amongst the Audit Committee members, who shall not be the Chairman of the Board.

2.2 The Chairman of the Audit Committee together with other members Audit Committee should ensure among others that:-

- the Audit Committee is fully informed about significant matters related to the company's audit and its financial statements and addresses these matters;
- the Audit Committee appropriately communicates its insights, views and concerns about relevant transactions and events to Internal and External Auditors;
- Audit Committee's concerns on matters that may have an effect on the financial or audit of the company are communicated to the External Auditor; and
- there is co-ordination between Internal and External Auditors.

3.0 SECRETARY

3.1 The Company Secretary shall be the Secretary to the Audit Committee.

4.0 AUTHORITY

4.1 The Audit Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:-

- a. have explicit authority to investigate any matter within its terms of reference;
- b. have the resources which are required to perform its duties;
- c. have full and unrestricted access to any information pertaining to the Company;
- d. have direct communication channels with the external auditors and person(s) carrying out the internal audit function;

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- e. be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- f. be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of the executive members of the Company, whenever deemed necessary.

5.0 DUTIES AND FUNCTIONS

5.1 The Audit Committee shall, amongst others, review the following and report the same to the Board:-

- i. In relation to the external audit function:
 - a. consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment;
 - b. discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
 - c. review any management letter sent by the external auditors to the Company and the management's response to such letter;
 - d. 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);
 - e. review the adequacy of existing external auditors audit arrangements, with particular emphasis on the scope and quality of the audit;
 - f. review the external auditors' audit report;

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- g. review the assistance given by the employees of the Company to the external auditors;
- h. review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- i. define policies and procedures and annually assess the suitability, objectivity and independence of the external auditor by considering among others:-
 - the competence, audit quality and resource capacity of the external auditor in relation to the audit;
 - the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
 - obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- ii. In relation to the internal audit function:
 - a. review the scope of the internal audit function and satisfy itself that:-
 - the person responsible for internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;
 - internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and
 - the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.;
 - b. review any appraisal or assessment of the performance of members of the internal audit function;

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- c. approve any appointment or termination of senior staff members of the internal audit function; and
 - d. review of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
 - iii. Review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
 - a. any changes in or implementation of major accounting policy and practices;
 - b. significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - c. compliance with accounting standards and other legal requirements.
 - iv. Consider any related party transactions and potential conflict of interests' situations that may arise within the Company/Group.
 - v. Carry out any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effectiveness discharge of the Committee's duties and responsibilities.
 - vi. Report to Bursa Malaysia Securities Berhad ("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 the Bursa Securities Main Market Listing Requirements.

6.0 PROCEDURES OF AUDIT COMMITTEE

- 6.1 The Audit Committee may regulate its own procedures, in particular:-
 - a. the calling of meetings;
 - b. the notice to be given of such meetings;
 - c. the voting and proceedings of such meetings;

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- d. the keeping of minutes; and
- e. the custody, production and inspection of such minutes.

7.0 MEETINGS

- 7.1 The Committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed.
- 7.2 The quorum of the meeting is two (2) and they must be Independent Non-Executive Directors. Other directors and employees may attend Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.
- 7.3 Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.
- 7.4 The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
- 7.5 The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide information as necessary.

8.0 REVIEW OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

- 8.1 The Board must 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 their terms of reference.