

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

The LLCB Group's Internal Audit provides independent and objective reports on the LLCB Group's management, records and controls to the Audit Committee. Internal Audits include evaluation of the processes by which risks are identified, assessed and managed and ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposure. The Internal Audit also ensures the recommendations to improve controls are followed through by the Management.

Relationship with Auditors

The Board has established a formal and transparent relationship with the Auditors, both internal and external. The Auditors are invited to attend meetings on special matters where necessary. The Audit Committee recommends the re-appointment

of the external auditors. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board.

Corporate Social Responsibility

The LLCB Group is committed to the communities in the environment it operates and it recognised that it will need to look beyond the financial parameters.

Statement of Compliance with Best Practices of the Code

The Board considers that it has complied throughout the financial year with Best Practices as set out in the Code.

Report of the Audit Committee

The Audit Committee of LLCB has been established since 10 January 1997.

COMPOSITION**Members of the Audit Committee**

The Audit Committee of the Company comprise the following :-

Danny Ng Siew L'Leong* – Chairman
Lee Hon Keong+
O Wai Tiong*
Yong Weng Fai*#

* Independent Non-Executive Director

+ Executive Director

Chartered Accountant of the Malaysian Institute of Accountants

Secretary of the Audit Committee

Gwee Ooi Teng

ATTENDANCE AT MEETINGS

During the year under review, the Audit Committee had five (5) meetings. The Group Accountant attended all these meetings of the Audit Committee, the Head of the Internal Audit of the LLCB Group and the LLCB Group's External Auditors attended some of these meetings.

Details of attendance of the members of the Audit Committee of these meetings are as follows:

Name	Position	Attendance
Danny Ng Siew L'Leong	Chairman of Audit Committee (Independent Non-Executive Director)	5/5
Lee Hon Keong	Member (Executive Director)	5/5
O Wai Tiong	Member (Independent Non-Executive Director)	5/5
Yong Weng Fai	Member (Independent Non-Executive Director)	5/5

ACTIVITIES

The Audit Committee carried out its duties in accordance with its Terms of Reference.

During the year under review, the Committee undertook the following activities:

1. Reviewed the Annual Audit Plan for the year ended 31 December 2005 to ensure adequate scope and coverage over the activities of the LLCB Group, which was carried out by the Internal Audit.
2. Reviewed internal audit reports on various audit areas.
3. Reviewed the quarterly and annual financial statements on inter alia, significant adjustments arising from the audits, the going concern assumption and compliance with accounting standards and other legal requirements prior to presentation of the same to the Board for approval.

4. Reviewed related party transactions entered into by the Company and the LLCB Group and the LLCB Group's procedures in respect of recurrent related party transactions (RPTs) to satisfy itself that the procedures were sufficient to ensure that the RPTs were not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives of the Audit Committee

It is the objectives of the Audit Committee to assure the shareholders of the Company that the Directors of the Company have complied with specified financial standards and required disclosure policies developed and administered by Bursa Securities. In addition, the Audit Committee is also determined to ensure consistency with Bursa Securities's commitment to encourage high standards of corporate disclosure. The Audit Committee will endeavour to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to all the Company's shareholders.

Powers of the Audit Committee

In carrying out their duties and responsibilities, the Audit Committee will in principle have full, free and unrestricted access to all the Company's records, property and personnel and has explicit authority to investigate any matter within its terms of reference.

Duties and Responsibilities of the Audit Committee

The duties and responsibilities of the Audit Committee include the following and will report on the same to the Board of Directors:-

- (i) Oversee all matters relating to external audit including the review of the audit plan and audit report and review of external auditors' management letter and management's responses.
- (ii) Oversee the internal audit department including the evaluation of the standards of internal control and financial reporting, review of internal audit programme, adequacy of the scope, functions, authority and resources of the internal audit department and audit findings and management's responses.
- (iii) Review of the quarterly results and year end financial statements, focusing particularly on:-
 - any changes in accounting policies and practices;
 - significant adjustments arising from audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements
- (iv) Review the assistance and co-operation given by the Company's officers to the external and internal auditors.
- (v) Review any related party transactions that may arise within the Company or the LLCB Group.
- (vi) Nominate the external auditors for appointment, review any letter of resignation from the external auditors and proposal for reappointment of external auditors.

Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

Meetings

The Audit Committee will meet at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Chairman.

The quorum for meetings of Audit Committee shall be 2 members and the majority of the members present shall be Independent Directors.

The Secretary to the Audit Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to the Board. The Chairman of the Committee shall report on each meeting to the Board.

The internal and/or external auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required by the Committee. Upon the request of the auditor(s), the Chairman of the Audit Committee shall also convene a meeting of the Committee to consider any matters the auditor(s) believes should be brought to the attention of the Board of Directors or the shareholders.

The Audit Committee may obtain external advice or specific issues and invite outsiders with relevant experience to attend any meeting of the Audit Committee, if necessary.

INTERNAL AUDIT FUNCTION

The LLCB Group has an in house Internal Audit Department.

The scope of the internal audit encompasses the audit of all projects and departments of the LLCB Group. The audits were conducted in accordance with the year 2005 Internal Audit Plan.

During year 2005, the activities carried out and reviewed by the Internal Audit include the following:-

- (i) review of contract administration process and sub-contracting procedures.
- (ii) assessment of the procedure for requesting for work inspection and approval by client's consulting engineers or client's representatives so as to identify potential risk and assist the Management in managing the risk.
- (iii) assessment of projects pertaining to co-operation, adequacy, timeliness, relevancy and reliability of information with respect to project management process and reporting, contract administration, information and data capturing, documentation and record keeping, information technology training, communication and co-operation in team work.
- (iv) review of subcontract final accounts prior to settlement of full and final accounts and release of final payments.

The Company's system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's annual report.