

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

O Wai Tiong*

Yong Weng Fai*#

* *Independent Non-Executive Director*

Chartered Accountant of the Malaysian Institute of Accountants

Secretary of the Audit Committee

Gwee Ooi Teng

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 they will report on the same to the Board of Directors:-

- (i) Oversee all matters relating to external audit including the review of the external auditors' audit plan, audit report, management's letter and management's responses to the external auditors and evaluation of the system of internal controls.
- (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, competency, authority and resources of the internal audit department, audit reports and audit findings, corrective actions taken and management's responses to audit findings, and that the internal audit has the necessary authority to carry out its work.
- (iii) Review of the quarterly results and year end financial statements, focusing particularly on:-
 - * changes in and implementation of major accounting policies and practices;
 - * significant adjustments arising from audit and unusual events;
 - * the going concern assumption;
 - * compliance with accounting standards and other legal requirements
- (iv) Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.
- (v) Review any related party transactions or conflict of interest that may arise within the Company or the LLCB Group including any transaction, procedure or course of conduct that raises questions of management integrity.

- (vi) Recommend the nomination of external auditors for appointment, review any letter of resignation from the external auditors and proposal for reappointment of external auditors, and whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for reappointment.
- (vii) 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.

During the year under review, the Audit Committee had five (5) meetings. The Group Financial Controller 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 (resigned as Audit Committee member on 18.10.2007) | 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 |

The Minutes of each meeting are distributed to the Committee members and subsequently to the Board for their notation. The Chairman of the Committee shall report on each meeting to the Board.

The Audit Committee has direct communication channels with the internal and/or external auditors. The internal and/or external auditors have 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. The Audit Committee shall wherever deemed necessary convene meetings with the internal and/or external auditors or both, without the attendance of the other Directors and employees of the Company. During the year under review, the Audit Committee met with the external auditors once where Executive Directors and/or the Management were not in attendance.

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

ACTIVITIES

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

During the year under review, the Committee's activities encompassed review of the following:-

- (i) Reviewed the Annual Audit Plan for year 2007 to ensure adequate scope and coverage over the activities of the LLCB Group, which was carried out by the Internal Audit.
- (ii) Reviewed internal audit reports on various audit areas.
- (iii) Reviewed the quarterly consolidated financial reports and annual financial statements on inter alia, significant adjustments arising from 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.

- (iv) Reviewed external auditors' report and significant findings and areas for improvement, if any.
- (v) 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.
- (vi) Reviewed the consideration for re-appointment of the external auditors.

- (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.

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 2007 Internal Audit Plan.

During year 2007, the main activities of 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.

The Internal Audit shall follow up with the Operating Management to ensure that corrective action is implemented according to agreed time frames and provide update on the status of such actions in the internal audit reports.

