

Terms of Reference of the Audit Committee

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Terms of Reference of the Audit Committee

TABLE OF CONTENTS

REVISION TABLE	1
1.0 COMPOSITION	2
2.0 AUTHORITY	3
3.0 FUNCTIONS AND DUTIES.....	4
4.0 MEETINGS.....	6
5.0 MINUTES	8
6.0 CIRCULAR RESOLUTION	8
7.0 REPORTING	8
8.0 REVIEW OF THE TERMS OF REFERENCE.....	8

Terms of Reference of the Audit Committee

REVISION TABLE

Revision No.	Description of Change	Clause(s) Affected	Requestor	Effective Date
02	To add new clause 3.14 under Conflict of Interest (COI) in line with the latest amendments to Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements issued by Bursa Malaysia on 26 May 2023, particularly in relation to COI involving directors and key senior management of the listed issuer and its subsidiaries Renumbering of subsequent clauses after clause 3.14	3.14	-	23 February 2024

Terms of Reference of the Audit Committee

The Audit Committee of Leader Energy Group Berhad ("Company") is empowered to and has adopted the objective promulgated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and Malaysian Code on Corporate Governance 2021 ("MCCG"), in establishing a formal procedure that clearly sets out its role and provides it with all the necessary powers and rights to perform that role.

The Audit Committee serves as a board committee to assist the Board in discharging its fiduciary duties and responsibilities relating to accounting and reporting practices of the Company and its subsidiaries ("Group"). The Audit Committee shall evaluate the quality of the audit, accounting function and system of internal controls to ensure the financial information presented is factual, reliable and timely.

1.0 Composition

Membership

- 1.1 The Audit Committee shall be appointed by the Board from amongst their member and shall comprise at least three (3) members, all of whom must be Independent Non-Executive Directors. In this respect, the Board adopts the definition of "independent directors" under the MMLR.
- 1.2 The Chairman of the Board must not be a member of the Audit Committee.
- 1.3 All members of the Audit Committee should be financially literate and have sufficient understanding of the Company's business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company's reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 1.4 At least one (1) member of the Audit Committee:
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (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 I of the First 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 First Schedule of the Accountants Act 1967; or
 - (c) fulfils such other requirements as prescribed or approved by Bursa Securities.
- 1.5 The Board must ensure that no alternate Director is appointed as a member of the Audit Committee.

Chairman of the Audit Committee

- 1.6 The members of the Audit Committee shall elect a Chairman from amongst their members.

Terms of Reference of the Audit Committee

- 1.7 In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman.

Appointment of former partner of external audit firm

- 1.8 If there is any appointment of a former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company or any entity within the Group as a member of the Audit Committee, the Board shall ensure the said former partner to observe cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.

Secretary

- 1.9 The secretary to the Audit Committee shall be the Company Secretary.

Relinquishment of Membership

- 1.10 Members of the Audit Committee may relinquish their membership in the Audit Committee with prior written notice to the Board and may continue to serve as Directors of the Company.
- 1.11 If a member of the Audit Committee resigns 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, based on the recommendation of the Nominating Committee, within three (3) months appoint such number of new members as may be required as soon as practicable provided that the composition of the Audit Committee shall meet the criteria set out in Section 1.1 above.

2.0 Authority

The Audit Committee, in carrying out its duties and responsibilities, shall in accordance with the procedure determined by the Board and at the cost of the Company:

- 2.1 have authority to investigate any matter within its terms of reference;
- 2.2 have the resources which are required to perform its duties;
- 2.3 have full and unrestricted access to any information within the Group;
- 2.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 2.5 be able to obtain independent professional or other advice and to invite the persons with relevant experience and expertise to attend its meeting if necessary; and
- 2.6 be able to convene meetings with the external auditors, internal auditors or both without the presence of other Directors and employees of the Company, whenever deemed necessary.

Terms of Reference of the Audit Committee

3.0 Functions and Duties

The Audit Committee shall, amongst others, discharge the following functions:

Financial Reporting

- 3.1 Review the quarterly financial results and annual financial statements prior to its recommendation to the Board for approval, focusing particularly on:
- (a) changes in or implementation of major accounting policies and practices;
 - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (c) significant adjustment arising from the audit;
 - (d) major judgemental areas;
 - (e) the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group;
 - (f) compliance with applicable approved accounting standards, other regulatory and legal requirements; and
 - (g) the going concern assumption.
- 3.2 Demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements.
- 3.3 Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known where there are significant matters requiring judgement.
- 3.4 Obtain a written assurance from the external auditor 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.

External Audit

- 3.5 Review the following with the external auditors and report the same to the Board:
- (a) the audit plan, scope of audit and audit report;
 - (b) evaluation of the system of internal controls, during the course of the audit, including any significant suggestions for improvements and management's response;
 - (c) the assistance given by the employees of the Company to the external auditors; and
 - (d) the external auditors' management letter and management's response thereto.
- 3.6 Consider and recommend to the Board on the appointment, re-appointment or removal of external auditors and to fix their audit fees.
- 3.7 Review the following and report the same to the Board:

Terms of Reference of the Audit Committee

- (a) any letter of resignation from the external auditors of the Company including a copy of any written representations or statement of circumstances connected with the resignation made by the external auditors, if applicable; and
 - (b) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.
- 3.8 Review any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors.
- 3.9 Assess the suitability (the criteria such as the competence, audit quality and resource capacity of the external auditors in relation to the audit), objectivity, terms of office and independence of the external auditors on an annual basis.
- 3.10 To review and approve the non-audit services before they are rendered by the external auditors and its affiliates while taking into account the nature and external of the non-audit services and the appropriateness of the level of fees.

Internal Audit

- 3.11 In relation to the internal audit function, the responsibilities of the Audit Committee are to:
- (a) review the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority and resources to carry out its work;
 - (b) review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
 - (c) review any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the internal auditors;
 - (d) review the appraisal or assessment of the performance of the internal audit function on an annual basis;
 - (e) decide on the budget for the internal audit function; and
 - (f) review any special audit which the Audit Committee deems necessary.

Related Party Transactions

- 3.12 Monitor, review and report to the Board any related party transactions, recurrent related party transactions 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's integrity.
- 3.13 Review and make recommendations to the Board in relation to the Group Related Party Transactions Policy and ensure the senior management establishes a comprehensive corporate governance framework for the purposes of identifying, evaluating, approving, reporting and monitoring conflict of interest situations and related party transactions.

Terms of Reference of the Audit Committee

Conflict Of Interest (COI)

3.14 Review and report to the Board for the purpose of disclosure in the Audit Committee Report of the Annual Report of any COI situation that arose, persist or may arise across the Company or the Group through direct financial interest, indirect financial interest, non-financial interest (arising from relationships whether family, business or professional interests), or competing loyalties or interests:

- (a) that arose during the financial year;
- (b) that might arise (potential COI) during the financial year;
- (c) as well as persisting COI from previous financial years during the financial year;

together with the measures taken to resolve, eliminate or mitigate such conflicts, as well as disclose them in the Audit Committee Report.

Other Matters

- 3.15 Promptly report to Bursa Securities on any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the MMLR.
- 3.16 Review all financial related reports/statements as required by the MMLR, for inclusion in the Annual Report.
- 3.17 Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Company (if any).
- 3.18 Review findings, queries or investigation by the regulatory agencies (if any).
- 3.19 Review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy, when necessary.
- 3.20 Carry out any other function that may be mutually agreed upon by the Audit Committee and the Board which would be beneficial to the Company and the Group and ensure the effective discharge of the Audit Committee's duties and responsibilities.

4.0 Meetings

Frequency

- 4.1 The Audit Committee shall meet at least four (4) times a year. Additional meetings may be called at any time at the discretion of the Chairman of the Audit Committee.

Quorum and Voting

- 4.2 The quorum for a meeting shall be two (2) members of the Audit Committee.

Terms of Reference of the Audit Committee

- 4.3 Each member of the Audit Committee is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the Audit Committee.
- 4.4 In the case of an equality of votes, the Chairman has a second or casting vote, except where two (2) members form a quorum, the Chairman at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote. The question in issue shall then be tabled at the next meeting of the Audit Committee or referred to the Board for decision, whichever is more expedient.
- 4.5 A member of Audit Committee shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her.

Agenda

- 4.6 A meeting agenda shall be sent to all members of the Audit Committee and any other persons who may be required/invited to attend the meeting of the Audit Committee and the agenda, together with the supporting papers shall be circulated at least five (5) working days prior to each Audit Committee meeting. The members of the Audit Committee, may, however, consent to shorter notice whereupon the requisite period shall be waived.

Attendance

- 4.7 If any member is unable to be physically present, he/she may choose to participate by means of a conference telephone or by any other audio, or audio-visual, communication equipment which allows all persons participating in the meeting to hear and speak with each other and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.
- 4.8 The internal auditors shall be in attendance at meetings of the Audit Committee to present and discuss the audit reports of findings and the recommendations relating thereto and to follow up on decisions made at these meetings.
- 4.9 The Audit Committee shall meet at least once a year with the external auditors without the presence of any executive Board members, management or employees. The Chairman may request for additional meetings if they consider it necessary.
- 4.10 The Audit Committee may, as and when deemed necessary, invite any Board members or any member of management and consultants, who the Audit Committee thinks fit, to attend its meetings to assist and provide pertinent information as necessary.
- 4.11 For good governance, each member must attend at least 50% of the meetings held within the year, failing which Nominating Committee will decide on the member's disqualification.

Terms of Reference of the Audit Committee

5.0 Minutes

- 5.1 The Company Secretary shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
- 5.2 Minutes of each meeting shall be distributed to the Board for notation.
- 5.3 The books containing the minutes of proceedings of any meeting of the Audit Committee shall be kept at the registered office of the Company and shall be opened to the inspection of any member of the Audit Committee or the Board.

6.0 Circular Resolution

- 6.1 A resolution in writing signed by a majority of the Audit Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted.
- 6.2 The resolution may consist of several documents in like form, each signed by one (1) or more Audit Committee members. Such document may be accepted as sufficiently signed by a member if it is transmitted to the Company by facsimile or other electrical or digital written message, which include a signature of the said member.

7.0 Reporting

The Audit Committee, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each meeting of the Audit Committee. When presenting any recommendations to the Board for approval, the Audit Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

The Chairman of the Audit Committee shall attend the Annual General Meeting of the Company and is answerable to any shareholder questions on the Audit Committee's activities.

8.0 Review of the Terms of Reference

Any amendments to this Terms of Reference shall be approved by the Board. This Terms of Reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Audit Committee's responsibilities.

This Terms of Reference was reviewed and approved by the Board on 23 February 2024 and is made available for reference on the Company's website at <https://www.leaderenergy.com/>.