

Audit Committee Report

The report of the Audit Committee (“Committee”) of LBS Bina Group Berhad (“LBGB” or “Company”) for the financial year ended 31 December 2010 (“FY 2010”) is presented as follows:

MEMBERSHIPS

The present members of the Committee are as follows:

Dato’ Kamaruddin bin Abdul Ghani

Chairman, Independent Non-Executive Director

Maj Jen (B) Dato’ Mohamed Isa bin Che Kak

Member/Independent Non-Executive Director

Kong Sau Kian *

Member/Independent Non-Executive Director

Dato’ Wong Woon Yow

Member/Independent Non-Executive Director

* Member of Malaysian Institute of Accountants

MEETING

During the FY 2010, the Committee held a total of six (6) meetings without the presence of Executive Directors. The Executive Directors, Head of Internal Auditors and Senior Management staff were invited to meetings as and when necessary to answer to the queries and to provide detailed information and explanation requested. The details of the attendance are as follows:-

Name of Committee Member	Attendance
Dato’ Kamaruddin bin Abdul Ghani	5/6
Maj Jen (B) Dato’ Mohamed Isa bin Che Kak	5/6
Kong Sau Kian	6/6
Dato’ Wong Woon Yow	6/6

TERMS OF REFERENCE

Objective

The main objective of the Committee is to assist the Board of Directors (“Board”) in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls, management and financial reporting practices of LBGB and its group of companies (“Group”).

Members

The Committee shall be appointed by the Board from amongst its number and shall consist of not less than three (3) members. All the members must be non-executive and financially literate, with a majority of them being Independent Directors. Independent Director shall be one who fulfils the requirement as provided in the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

Pursuant to Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Securities, at least one member of the Committee:

- i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
- ii) if he is not a member of MIA, he must have at least three (3) years working experience and:
 - aa) passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - bb) 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) fulfils such other requirements as prescribed by Bursa Securities.

Members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director. No alternate director can be appointed as a member of the Committee.

Quorum

The quorum for meeting of the Committee shall be two (2) in which the majority present in respect of such meeting must be Independent Directors. A valid quorum shall consist of at least one (1) member who is qualified under Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Securities.

Proceedings of Meeting

Meetings shall be held not less than four (4) times a year. Additionally the Chairman shall convene meeting of the Committee if requested by its members, the management, the internal auditor or external auditor to consider any matters within the scope and responsibilities of the Committee.

Any member may participate in the meetings of the Committee by means of telephone or other audio communications equipment whereby all persons attending or participating the meetings can hear each other. The person or persons participating the meetings in the aforesaid manner shall be deemed for all purposes to be present in person at such meetings.

The Company Secretary shall be the Secretary of the Committee. Minutes of each meeting shall be duly entered in the minutes books and safekept by the Secretary. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Committee and the Board.

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Authority

The Committee shall within its terms of reference:

1. have the resources which are required to perform its duties;
2. have full access to any information as required to perform its duties;
3. have the authority to investigate any activity within its terms of reference;
4. have the authority to form sub-committee(s) if deemed necessary and fit;
5. have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit; and
6. be able to obtain independent professional or other advice and invite outsiders with relevant experience to attend the meeting of the Committee.

Duties and Functions

The duties and functions of the Committee shall be:

1. Internal Audit

- To oversee the functions of Internal Audit Department and ensure compliance with relevant regulatory;
- To review the adequacy of the scopes, functions, competencies and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- To review the internal audit programme, consider the major findings of internal audits and Management's response, and ensure coordination between the internal and external auditors; and
- To appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Head of Internal Audit.

2. Internal Control

- To review the effectiveness of internal control and risk management process.

3. External Audit

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal of the external auditor before making recommendation to the Board;
- To review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan;
- To review the external auditors' Management Letter and Management's response;
- To review, with the external auditor, the audit reports, the auditor's evaluation of the system of internal control, audit plan and the assistance given by the employees to the external auditor;
- To discuss problems and reservations arising from the interim and final audits, and matters the auditor may wish to discuss (in the absence of Management where necessary); and
- To review whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

4. Financial Reporting

- To review with the management the quarterly and year-end financial statements of the Company prior to the approval by the Board, focusing particularly on:
 - Any changes in accounting policies and practices;
 - Significant adjustments arising from the audit;
 - Major judgement areas;
 - Significant and unusual events;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.

5. Related Party Transactions

- To review any related party transactions and conflict of interest situation that may arise in the Company including any transactions, procedures or course of conducts that raise questions of management integrity.

6. Other Matters

- To direct and where appropriate supervise any special project or investigation considered necessary;
- To report to the Board summarising the work performed in fulfilling the Committee's primary responsibilities; and
- To consider other matters as defined by the Board.

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SUMMARY OF ACTIVITIES

During the year under review, the following were the activities carried out:

- Reviewed and approved the Internal Audit Plan proposed by the Internal Audit Department for the year 2010.
- Reviewed the Risk Assessment Reports on the investments and divestments of the Group for the year 2010.
- Reviewed the internal audit reports on findings and recommendations in line with the internal audit programme and the management replies as well as appropriate remedial actions undertaken by the Group.
- Reviewed the unaudited quarterly financial results of the Group for the financial year 2010 and the audited financial statements of the Group for the financial year ended 31 December 2009 prior to the Board approval and subsequent announcement.
- Reviewed the terms of the proposed renewal of general mandate and proposed new general mandate for recurrent related party transactions of a revenue or trading nature and the procedures for these proposed transactions.
- Reviewed the verification on allocation of options to employees under the Employee Share Option Scheme (“ESOS”) of the Company carried out by the External Auditors.
- Reviewed the Statement of Internal Control of the Group for the purpose of inclusion in the Annual Report 2009.
- Reviewed the External Auditors’ scope of work and audit plan for the Group for the financial year ended 2010.

STATEMENT BY COMMITTEE ON THE COMPANY’S ESOS

The Committee, with the assistance of verification work performed by the External Auditors, is satisfied that the allocation of options pursuant to the Company’s ESOS during the FY 2010, has complied with the criteria set out in the ESOS Bye-Laws.

INTERNAL AUDIT FUNCTION

LBGB’s Internal Audit Department (“IAD”) was set up in year 2005. IAD acts as an independent appraisal function from the Management of the Company in carrying out its duties and responsibilities effectively with the Head of IAD reports directly to the Committee. Besides reviewing the finding of internal control system of the Group, IAD also provides recommendations to improve such internal controls. The IAD adopts a risk-based auditing approach taking into account global best practices and industry standards.

During the financial year under review, the IAD has carried out its internal audit assignments in accordance with the Internal Audit Plan approved by the Committee. The Internal Auditors have conducted few operational, financial and compliance audit on the subsidiaries of LBGB. Internal audit reports and relevant follow up reports together with management response were circulated to all members of the Committee for review and discussion before the Audit Committee Meeting on a quarterly basis. Upon the recommendation from the Committee, the said internal audit reports were tabled at the Board Meeting for approval.

The total cost incurred for the IAD for the FY 2010 was RM127,393.00.