



**HO WAH GENTING BERHAD (272923-H)**

## **AUDIT COMMITTEE TERMS OF REFERENCE**

### **1. Constitution**

The Audit Committee was established on 4 October 1994.

### **2. Composition**

The Board shall appoint, amongst its Directors, an Audit Committee which shall consist of not less than three (3) members who must be non-executive directors, with a majority of them being Independent Directors.

At least one member of the Committee must be a member of the Malaysian Institute of Accountants and if not, he/she must fulfill the criteria set out in the Listing Requirements of Bursa Malaysia Securities Berhad (“LR”).

The Chairman of the Audit Committee shall be appointed by the members of the Committee and he shall be an Independent Non-Executive Director. No alternate director of the Board shall be appointed as a member of the Committee.

In the event of any vacancy arises in the Audit Committee resulting in the number of members becomes less than three (3), the Board shall fill the vacancy within three (3) months of such event.

The Board shall review the terms of office and performance of the Committee and each of its members at least once in every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

### **3. Objectives**

- a. To provide assistance to the Board of Directors in fulfilling its statutory responsibilities pertaining to the financial, accounting records, internal control systems and the reporting practices of the Group.
- b. To oversee and appraise the quality of the audits conducted both by the internal and external auditors and evaluate the adequacy and effectiveness of the Group’s administrative, operating and accounting controls and the integrity of its financial information.

#### **4. Authority**

The Audit Committee is authorized by the Board to investigate any activities within its terms of reference. It is authorized to seek any information it requires from any employees and it has unlimited access to all the Company and its subsidiaries' records and information.

The Audit Committee is authorized by the Board to seek external legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise.

#### **5. Key Functions, Roles and Responsibilities of the Audit Committee**

- a. To consider the appointment of the internal and external auditors, their audit fees and to enquire on any resignation or dismissal.
- b. To discuss with the external auditors their audit plan, scope and nature of audit, prior to commencement of audit.
- c. To review with the external auditors their evaluation of the system of internal controls, audit report, their management letter and the management's response.
- d. To review the quarterly and year-end financial statements of the Company and the Group for recommendation to the Board for approval focusing particularly on:
  - i. Any changes in or implementation of major accounting policies and practices.
  - ii. Major judgmental areas.
  - iii. Significant adjustments resulting from the audit.
  - iv. Significant or unusual events.
  - v. The going concern assumption.
  - vi. Compliance with accounting standards and other statutory and regulatory requirements.
- e. To discuss problems and reservations arising from the interim and final audits and any matter that the external auditors may wish to discuss (in the absence of management, if necessary).
- f. To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.

- g. To review the effectiveness of internal control systems and in particular, review the internal auditors' findings and management's response to those findings.
- h. To review any 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 question on management integrity and to ascertain that the procedures established to monitor recurrent related party transactions have been complied with.
- i. The Audit Committee shall have direct communication channels with the internal and external auditors and the senior management of the Group and shall be able to convene meetings with the auditors whenever deemed necessary.
- j. To report any breaches of the LR, which have not been satisfactorily resolved, to Bursa Malaysia Securities Berhad ("Bursa").
- k. To direct and where appropriate to supervise any special projects or investigation considered necessary and to review investigation reports on any major defalcations, frauds or thefts.
- l. To verify the allocation of share options pursuant to the Company's Employees' Share Option Scheme ("ESOS") as being in compliance with the criteria set out in the Bylaws of the ESOS, at the end of the financial year.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

## **6. Quorum and Meeting**

The quorum for a meeting shall be any two (2) members of which the majority present must be independent directors.

The Committee shall meet quarterly or as frequent as the Chairman shall decide and it shall be able to convene meetings with the external auditors, the internal auditors, or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Committee shall meet at least twice during a financial year with the external auditors without the presence of executive board members or management.

The Audit Committee meeting shall be attended by its members and the Secretary. Members of the management, employees, other directors and representatives of the internal and external auditors shall attend the meeting only by invitation of the Audit Committee.

Upon request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

The attendance of a meeting may be by being present in person or through participating by means of tele-video conferencing.

## **7. Secretary**

The Company Secretary shall act as the Secretary to the Audit Committee.

## **8. Procedures of Audit Committee**

Notice of a meeting of the Audit Committee shall be given to all members in writing via facsimile or email or by hand delivered or by courier.

The Chairman of the Audit Committee shall be the Chairman of the meeting. If at any meeting the Chairman is not present, the members present may chose one of their members who is an independent director to be the Chairman of the meeting.

A resolution put to vote shall be decided by a majority of votes of the members present and each member shall have one vote. In the case of an equality of votes, the Chairman shall have a second or casting vote.

The Audit Committee may deal with matters by way of circular resolution in lieu of convening a formal meeting, signed by majority of the Committee members.

Minutes of each meeting shall be kept by the Secretary and distributed to each member of the Audit Committee and of the Board of Directors. The Chairman shall as soon as practicable report on each meeting to the Board of Directors. All minutes of meetings shall be open to inspection by the Audit Committee and the Board of Directors.