

**TERM OF REFERENCE****TERM OF REFERENCE FOR AUDIT COMMITTEE****TITLE : TERM OF REFERENCE FOR AUDIT COMMITTEE****1. DEFINITIONS**

"Act"	- the Companies Act 2016;
"Board"	- the board of directors of the Company;
"Chairman"	- the chairman of the Board and is used in a gender neutral sense;
"Company"	- Hua Yang Berhad;
"Management"	- the management personnel of the Company;
"Directors"	- directors of the Company;
"Secretary"	- the Board secretary or the person normally exercising the functions of a Board secretary;
"Committee"	- Audit Committee members.

**2. COMPOSITION**

- 2.1 The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, all of whom must be Non-Executive Directors with a majority of them being Independent Directors. The Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director and not the Chairman of the board to ensure the overall effectiveness and independence of the Committee. An alternate Director shall not be appointed as a member of the Committee.
- 2.2 At least one member of the Committee:
- Must be a member of the Malaysian Institute of Accountants; or
  - If not a member of the Malaysian Institute of Accountants, that member must have at least 3 years' working experience and; must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or must be a member of one of the associations of the accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
  - Fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- 2.3 The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

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- 2.4 All members of the Committee are expected to be financially literate and have sufficient understanding of the company's business and the financial reporting process. The Committee members shall undertake continuous professional development to keep themselves abreast of relevant development in accounting and auditing standards, practices and rules.
- 2.5 The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and such member have carried out their duties in accordance with the terms of reference.
- 2.6 The membership of the Audit Committee shall be disclosed in the Company's Annual Report.

**3. OBJECTIVE**

The objectives of the Committee are as follows:

- 3.1 To assist the Board in fulfilling its oversight responsibilities..
- 3.2 To review and monitor the Company's system of risk management and internal controls, financial reporting process, compliance with laws and regulations and the Company's Code of Conduct.
- 3.3 To assist in overseeing and appraising the quality of the audit conducted both by the Company's internal, external and risk auditor.

**4. AUTHORITY**

- 4.1 The Committee shall have the authority to investigate any matter of the Company and its subsidiaries within its terms of reference or otherwise directed by the Board. It shall have:-
- i. Unrestricted access to any information pertaining to the Company and its subsidiaries;
  - ii. The resources which are required to perform its duties;
  - iii. Direct communication channels with both the external auditors and internal auditors;
  - iv. Full access to all employees of the Group;
  - v. To convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, wherever deemed necessary.
- 4.2 The Committee is also authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and reasonable for the performance of its duties.

**5. MEETING AND MINUTES**

- 5.1 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties.
- 5.2 The Committee may invite any person to be in attendance to assist it in its deliberations.

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- 5.3 The Company's Chief Financial Officer or representatives shall be expected to attend all meetings of the Committee. At least twice a year the Committee shall meet the External Auditors without the presence of the Executive Director and Senior Management members.
- 5.4 A quorum for the meeting of the Committee shall be two (2) members and the majority of members present must be independent directors.
- 5.5 The decision of the Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.
- 5.6 The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the 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. The minutes of the Committee meeting shall be circulated to all Board members.
- 5.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the chairman and circulating it, supported by explanatory documentation to Committee members prior to each meeting.
- 5.8 The Committee shall report to the Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board of Director after considering the recommendation of the Committee.
- 5.9 Minutes of each meeting be kept and distributed to each member of the Committee within one (1) month for comment. A copy of the Minutes is to be tabled at the Board Meeting convening immediately after the Committee Meeting for notation, ratification of the action taken by the Committee or decision of the Board.
- 5.10 The Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings tabled at Board meetings.

**6. DUTIES**

- 6.1 The duties of the Committee should include the following:
- To consider any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - To review the quarterly unaudited financial results announcements, the audited financial statements of the Group before recommending for the Board of Directors approval, focusing on:
    - compliance with accounting standards and regulatory requirements
    - any changes in accounting policies and practices

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- compliance with Stock Exchange and other statutory requirements
- going concern issues of any activities
- significant and unusual issues arising from the audit
  
- To discuss with the external auditor, the results of the audit, the Management Letter, Management's responses and any difficulties encountered (in the absence of Management, where necessary);
- To discuss with external auditor on evaluation of the system of internal controls;
- To consider and recommend the appointment of the external auditors, their remuneration and any questions of resignation or dismissal;
- To recommend the nomination of a person or persons as external, internal and risk auditors;
- To assist the Board in the review of adequacy and effectiveness of the internal control system including information technology security and control, and the policies and compliance procedure with respect to business practice;
- To review the risk management policies and practices of the Group to ensure their effectiveness;
- To assist the Board in the preparation of the Audit Committee Report for inclusion in the Annual Report ;
- To discuss with the external auditors, their audit plan and the scope of audit and ensure co-ordination where more than one audit firm is involved;
- To review the assistance given by the employees of the Group to the external auditors;
- To carry out such other responsibilities, functions or assignments as may be directed by the Board of Directors from time to time.
- To review the findings of any examination by regulatory agencies and any auditor observations relating to compliance matters.
- To do the following, in relation to the internal audit function:-
  - to review the internal audit programme and consider the findings arising from internal audit report or other internal investigations and management's response and to determine appropriate corrective actions required by management;
  - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review any appraisal or assessment of the performance of members if the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognizance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resignation.

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- To consider other topics as defined by the board.

6.2 In assessing the suitability, objectivity and independence of external auditor, the Audit Committee establishes policies and procedures that consider among the others:

- the competence, audit quality and resource capacity of the external auditor in relation to the audit;
- the nature and extent of the non-audit services rendered and appropriateness of the level of fees;
- obtaining written assurance from the external auditors 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; and

The assessment on the suitability, objectivity and independence of the external audit firm should be conducted annually.

6.3 The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

**7. Revision of Terms of Reference**

7.1 Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third parties, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision/amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised/amended.

**8. Approval**

8.1 This Terms of Reference was reviewed and approved by the Board of Directors on 24 January 2018.

**BY ORDER OF THE BOARD OF DIRECTORS**

**Chairman**  
**Board of Directors of Hua Yang Berhad**