

KEIN HING INTERNATIONAL BERHAD

(Company No. 616056-T)

(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objective

The Audit Committee shall:

- a) assist the Board of Directors in fulfilling its fiduciary responsibilities relating to accounting and reporting practices of the Company and the Group;
- b) oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors including reviewing their audit plans;
- c) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authorities and responsibilities including meeting the external auditors at least twice a year, without the presence of the executive directors and management;
- d) determine the adequacy of the Group's administrative, operating and accounting controls; and
- e) assist the Board of Directors in implementing the objectives outlined in the Risk Management Policy, reviewing and updating the existing risk profile and status of completion of action plans.

Members

- a) The Audit Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise not less than (3) members, all of whom shall be Independent Directors.
- b) At least one (1) member of the Audit Committee:
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

- c) No Alternate Director shall be appointed as a member of the Audit Committee.
- d) The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.
- e) The Board of Directors shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.
- f) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Authority

The Audit Committee in the course of discharging its duties shall, whenever necessary and reasonable for its performance and in accordance with a procedure to be determined by the Board of Directors and at the Company's cost:-

- a) have authority to investigate any matter within its Terms of Reference;
- b) have the necessary resources to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Group;
- d) have direct communication channels with the Management Team, employees of the Company, external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to obtain independent professional advice or other advice; and
- f) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Functions

The Audit Committee shall discharge the following functions:

- a) review the following and report the same to the Board of Directors of the Company:
 - i) with the external auditors, the audit plan;
 - ii) with the external auditors, his evaluation of the system of internal controls;
 - iii) with the external auditors, his audit report;

- iv) to monitor developments in the external audit field and standards issued by professional bodies and other regulatory authority;
 - v) with risk management co-ordinator, the quarterly risk management report;
 - vi) the assistance given by the employees of the Group to the external auditors;
 - v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work at various controlled entities or subsidiaries;
 - vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - vii) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - receiving explanations for significant variances, and referring issues to the Board as and when necessary; and
 - compliance with accounting standards and other legal requirements;
 - viii) 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;
 - ix) any letter of resignation from the external auditors of the Company; and
 - x) whether there is reason (supported by grounds) to believe that the Group 's external auditors are not suitable for re-appointment;
 - xi) identify and evaluate of new strategic risks including corporate matters (e.g. Regulatory, Business Development) and key operational risks;
 - xii) review the provision of non-audit service by the external auditors to ascertain whether such provision of services would impair the auditor's independent or objectivity.
- b) recommend the nomination of a person or persons as external auditors;
 - c) prepare an Audit Committee Report at the end of each financial year;
 - d) report promptly to Bursa Securities where the Audit Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Listing Requirements; and

- e) any other functions as may be agreed to by the Audit Committee and the Board of Directors.

Attendance and Meeting

- a) The Audit Committee shall be chaired by an independent Chairman demonstrating in depth relevant skills and capabilities. All the members of the Audit Committee are Independent Non-Executive Directors. The quorum required for the Audit Committee meeting shall be at least two (2) members.
- b) Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the management, employees of the Company, other Directors and representatives of the external auditors to be present at meetings of the Audit Committee.
- c) The Audit 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. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any Audit Committee member, the Company's Managing Director, or the internal or external auditors.

Minutes

Minutes of each Audit Committee meeting are to be prepared and sent to its members. The Secretary shall also circulate the minutes of meetings of the Audit Committee to all members of the Board of Directors.

Secretary

The Company Secretary of the Company or his assistant shall be the Secretary of the Audit Committee who shall be in attendance and shall record the procedure of the meeting.