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**KIA LIM BERHAD**

Registration No.: 199501013667 (342868-P)

**TERMS OF REFERENCE  
OF  
AUDIT COMMITTEE**

The Company has established an Audit Committee (“AC”) to review the integrity of the financial reporting and to oversee the independence of external auditors.

## **TERMS OF REFERENCE**

### **1. Membership**

The Committee shall be appointed by the Board from amongst its Directors excluding alternate directors which fulfills the following requirements:

- a) The AC must be composed of no fewer than three (3) members;
- b) The AC should comprise a majority of Independent Directors and all members of the AC should be non-executive directors and financially literate;
- c) Shall not appoint a former key audit partner as its member except who has observe a cooling off period of at least three (3) years after the date of his engagement; and
- d) At least one member of the AC:
  - 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:
    - aa) He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
    - bb) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
  - iii) Fulfills such other requirements as prescribed or approved by the Bursa Securities.

The members of the Committee shall elect a chairman from amongst the AC members who shall be an Independent Director and shall not be the Chairman of the Board. The Board shall, within three (3) months of a vacancy occurring in the chairmanship, elect a new Chairman from among their numbers who is an Independent Director.

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, appoint such number of new members as may be required to make up the minimum number of three members.

The Nomination Committee (“NC”) shall review the term of office and performance of the Committee and each of its members annually.

### **2. Rights**

The Committee in accordance with the procedure determined by the Board shall:

- a) Have explicit authority to investigate any matter within its terms of reference;
- b) Have the resources which are required to perform its duties;
- c) Have full and unrestricted access to any information pertaining to the Company;

- d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) Be able to obtain independent professional or other advice;
- f) Be able to convene meetings with the external auditors, person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary;
- g) Be able to seek co-operation of all employees of the Company; and
- h) Promptly report to the Bursa Securities of matters which result in a breach of the Listing Requirements.

### **3. Functions**

The functions of the Committee shall include the following:

- a) Review the following and report the same to the Board:
  - i) With the external auditor, the audit plan;
  - ii) With the external auditor, his evaluation of the system of internal controls;
  - iii) With the external auditor, his audit report;
  - iv) The assistance given by the employees of the Company to the external auditor;
  - v) To develop, review and monitor the policies and procedures to assess the suitability, objectivity and independence of external auditors to safeguard the quality and reliability of audited financial statements;
  - vi) The quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
    - aa) Changes in or implementation of major accounting policy changes;
    - bb) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
    - cc) Going concern assumptions; and
    - dd) Compliance with accounting standards and other legal requirements.
  - vii) Any related party transaction and inter company transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - viii) Any letter of resignation including the written explanations of the resignation from the external auditors of the Company; and
  - ix) Whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- b) To do the following, in relation to the internal audit function:
  - i) 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;
  - ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;

- iii) Review any appraisal or assessment of the performance of members of the internal audit function;
  - iv) Approve any appointment or termination of senior staff members of the internal audit function; and
  - v) Take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- c) To review the following, in relation to the Corporate Governance:
- i) To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow up (including disciplinary action) of any instances of non-compliance;
  - ii) To review the findings of any examinations by regulatory authorities;
  - iii) To review any related party transaction or conflict of interest situation that arises within the Group including any transaction, procedure or course of conduct that raises questions of integrity;
  - iv) To review and approve the Corporate Governance Overview Statement for the annual report as required under Bursa Malaysia Securities Berhad Main Market Listing Requirements.
  - v) To review the investor relations programme and shareholder communications policy for the Company;
  - vi) To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board; and
  - vii) Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of Bursa Malaysia Securities Berhad Main Market Listing Requirements, to promptly report such matters to Bursa Malaysia.
- d) Recommend the nomination of a person or persons as external auditors or internal auditor; and the auditors' remuneration.
- e) Verify the criteria for allocation of option pursuant to a share scheme for employee.

#### **4. Meetings**

- a) Meetings of the Committee shall be held not less than four (4) times a year;
- b) The Chairman shall convene a meeting whenever any member of the AC requests for a meeting;
- c) A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as:
  - i) The quorum is met;
  - ii) At the commencement of the meeting each AC member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
  - iii) Each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and

- iv) The Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validity notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.
- d) The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee;
- e) Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable;
- f) The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other Board members, employees, any professionals or outsiders with relevant experience or expertise may attend any particular meeting only at the Committee's invitation;
- g) At least twice a year, the Committee shall meet with the external auditors without Executive Board members present;
- h) The quorum for each meeting shall be a majority of members present;
- i) Any decision of the Committee shall be by simple majority. Where necessary and appropriate, any decision of the AC can also be made or passed by way of a written circular resolution;
- j) The Committee shall record its conclusions in discharging its duties and responsibilities;
- k) The Company Secretary shall be the Secretary of the AC; and
- l) The Secretary is responsible for sending out notices of the meetings and preparing and keeping minutes of meetings.

## **5. Reporting Procedures**

The Minutes of the AC meeting shall be extended to all the members of the Board of Directors.

## **6. Review of Terms of Reference**

The AC shall review its Terms of Reference periodically and may recommend to the Board any changes it considers necessary. The Terms of Reference of the AC shall be made available on the Company's website.