

# **HAP SENG CONSOLIDATED BERHAD**

## **AUDIT COMMITTEE**

### **Terms of Reference of Audit Committee**

#### **Membership**

- The committee shall be appointed by the board from amongst the directors of the Company on the recommendation of the nominating committee and shall consist of not less than 3 members. All the audit committee members must be non-executive directors with a majority of them being independent directors.
- A member shall not have any family relationship with any executive director or any related company or relationship which would interfere with his/her independent judgment.
- Independent director shall be one who fulfills the requirement as provided in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements).
- At least one member of the audit committee shall be a member of the Malaysian Institute of Accountants or a person approved under section 15.09(1)(c)(ii) and (iii) of the Listing Requirements.
- No alternate director shall be appointed as a member of the audit committee.
- The chairman of the committee who shall be an independent director shall be elected by the members of the committee.
- In the event the number of audit committee members are less than the required number of 3 due to resignation or for any reason ceases to be a member, the board shall within 3 months appoint new member(s) to fill up the vacancy. All members of audit committee shall hold office until otherwise determined by the board or until they cease to be a director of the Company.

#### **Attendance at Meetings**

- The quorum necessary for the transaction of business shall be 2 members.
- The company secretary shall act as the secretary of the committee.

#### **Frequency of Meetings**

The audit committee shall meet as often as it requires but at least once for every financial quarter.

#### **Proceedings of Meetings**

- In the absence of the chairman, the committee shall appoint one of the independent members present to chair the meeting.
- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

#### **Scope of Authority**

- The chairman of the audit committee may engage on a continuous basis with senior management such as the chairman of the board, the managing director, the group finance director, chief financial officer, head of internal audit department and the external auditors in order to be kept informed of matters affecting the Company.
- The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are required to comply with any request made by the committee.

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- The committee is authorised 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 necessary.
- The terms of reference of the audit committee shall not limit in any way the responsibilities and authorities of the managing director to institute or instruct internal audits and reviews to be undertaken from time to time.
- The chairman of audit committee, upon the request of the external auditor, shall convene a meeting of the committee to consider any matter which the external auditors believe should be brought to the attention of the directors or shareholders.
- The committee may invite other directors, any employee and a representative of the external auditors to attend any particular audit committee meeting, specific to the relevant meeting(s). The group finance director, chief financial officer and the head of internal audit department, upon the invitation by the committee, normally attend the meeting(s).

**Primary Responsibilities of the Audit Committee**

Assisting the board in the discharge of its statutory duties and responsibilities in the following areas:

- To monitor the integrity of the Group's financial statements, review its annual accounts and quarterly results to be released to the Exchange and any other announcements relating to the Group's financial performance as well as significant financial reporting issues.
- To review the effectiveness of the Group's internal controls and risk management systems and to review and approve the statement to be included in the annual report concerning internal controls and risk management.
- To review and report to the board 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 monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system.
- To approve the appointment and removal of the head of the internal audit function.
- To consider and approve the remit of the internal audit function and to ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, particularly to ensure that the internal audit function has adequate standing and is free from management or other restrictions.
- To review and assess the annual internal audit master plan.
- To review promptly all reports on the Group from the internal auditors.
- To review and monitor the management's response to the findings and recommendations of the internal auditors.
- To meet the head of the internal audit whenever deemed necessary, to discuss their remit and any issues arising from the internal audits carried out without the presence of the management. The head of internal audit shall be given the right of direct access to the chairman of the board and to the committee.
- To consider and make recommendations to the board in relation to the appointment, reappointment or removal of the Company's external auditors, so that the same could be put to shareholders for approval at the annual general meeting.

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- To oversee the selection process of new auditors and if an auditor resigns, to investigate the issues leading to the resignation.
- To oversee the relationship with the external auditors including:
  - Approval of their remuneration;
  - Approval of their terms of engagement;
  - Assessing annually their independence and objectivity taking into account the regulatory requirements and the relationship with the auditor as a whole;
  - Formulating a policy governing the provision of non-audit services by the external auditor and regularly monitoring the compliance therewith; and
  - Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.
- To review with the external auditors, the audit plan, their evaluation of the system of internal controls, the audit report and any issues arising from the audit.
- To meet regularly with the external auditors, at least twice a year, without the presence of the management, to discuss their remit and any issues arising from the audit, including the adequacy of the assistance given by the employees of the Company to the external auditors.
- To review the quarterly and year end financial statements before tabling to the board focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit and other unusual events (if any);
  - compliance with accounting standards, relevant legislative framework and other legal requirements; and
  - compliance with the Listing Requirements and all other applicable rules and regulations.

**Review of the Audit Committee**

The term of office and performance of the committee and each member shall be reviewed by the board at least once every 3 years to determine whether the audit committee and its members have carried out their duties effectively in accordance with their terms of reference.

Annually, the nominating committee will evaluate performance of the board committees collectively as well as performance of members individually.

**Reporting Procedures**

The chairman of the committee will brief the board on the various deliberations and/or issues of concern raised during the course of meeting together with a list of recommendations and/or other matters for the deliberation of the board.

The company secretary shall circulate the minutes of meetings of the committee to all members of the board.

**Reporting of Breaches to the Exchange**

The audit committee is to report promptly to the Exchange on any matter reported to the board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.