



KIM HIN INDUSTRY BERHAD

Registration No.: 197301003569 (18203-V)

(Incorporated in Malaysia)

AUDIT COMMITTEE TERMS OF REFERENCE

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Audit Committee of Kim Hin Board of Directors operates under the Terms of Reference as follows:-

1. Composition

An audit committee shall be appointed by the Board of Directors from amongst its directors and shall compose of the following:-

- a) no fewer than 3 members.
- b) all the audit committee must be non-executive directors, with a majority of them being independent directors; and
- c) at least one 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 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 by the Exchange.
- d) no alternate director is to be appointed as a member of the audit committee.
- e) In the event of any vacancy in an audit committee resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months.
- f) the Board of Directors must review the terms of office of the Audit Committee at least once every 3 years and to review the performance of an audit committee and each of its members annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.
- g) no former key audit partner shall be appointed as a member of the Audit Committee unless a cooling-off period of at least three (3) years has been observed before his/her appointment. For the purpose of the foregoing, a former key audit partner means the engagement partner, the individual who is responsible for the engagement of quality control review and other audit partners, if any, on the engagement team who make key decisions and/or judgements on significant matters with respect to the audit of the financial statements on which the auditor expresses his/her opinion.

2. Chairman of the Audit Committee

The members of an audit committee shall elect a chairman from among their number who shall be an independent director.

3 Functions of the Audit Committee

The functions of the Audit Committee shall be as follows:-

- (1) review the following and report the same to the Board of Directors:-
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;
 - (d) the assistance given by the employees to the external auditor;
 - (e) the adequacy of the scope, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

- (f) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iii) compliance with accounting standards and other legal requirements.
- (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises question of management integrity;
- (i) any letter of resignation from the external auditors of the Company; and
- (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

(2) recommend to the Board the nomination of a person or persons as external auditors.

4 Rights of the Audit Committee

A) The duties of the Audit Committee shall be in accordance with the procedure determined by the Board of Directors and at the cost of the Company:-

- (a) have 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;
- (e) be able to obtain independent professional or other advice; and
- (f) 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, at least twice a year.

B) Where an Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matter to the Exchange.

5. Procedure of Audit Committee Meetings

Calling a Meeting

- a. Any member may call a meeting.
- b. Upon the request of external auditor, the Chairman of the Audit Committee shall convene a meeting of the committee.

Notice of Meeting

Notice of meeting shall be circulated to members one week in advance. In case of shorter notice by majority in number of the members, the accidental omission to give notice of a meeting, or the non-receipt of such notice of a meeting, by any member shall not invalidate proceedings of a meeting.

Quorum

To form a quorum of an audit committee meeting, the majority of members present must be independent directors.

Attendance of other Directors and Employees

The other directors and employees may be invited to attend the Audit Committee meeting, specific to the relevant meeting.

Voting and Proceedings

Questions arising of any Audit Committee meeting shall be decided by a majority of votes, each member having one (1) vote and in the case of equality of votes the Chairman shall have a second or casting vote.

Minutes

The Secretary shall be responsible for the custody, production and inspection of the Audit Committee minutes.

6. Audit Committee Report

The Audit Committee must prepare a report at each of the financial year that complies with subparagraphs (a) and (b) below:

- (a) The Audit Committee report must be clearly set out in the annual report of the Company.
- (b) The audit committee report shall include the following:-
 - (i) the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (including whether the directors are independent or otherwise);
 - (ii) the number of Audit Committee meetings held during the financial year and details of attendance of each audit committee member;
 - (iii) a summary of the work of the Audit Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities; and
 - (iv) a summary of the work of the internal audit function.