

**KRETAM HOLDINGS BERHAD**  
**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

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The Terms of Reference of the Audit Committee are as follows:-

**MEMBERSHIP**

1. The Audit Committee shall consist not less than three (3) members. All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.
2. 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:-
    - a) he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - b) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

No member of the Committee shall be:-

- a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of a Non-Executive Director of the Company or any related corporation, or
  - spouse of brother, sister, son or adopted son, daughter or adopted daughter of a Non-Executive Director of the Company or any related corporation, or
  - any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the functions of the Audit Committee.
3. The members of the Committee shall select a Chairman from among their numbers who shall be an Independent Director.
  4. If a member of the 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 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
  5. The terms of office of Committee members shall be reviewed by the Board at least once every 3 years.

**AUTHORITY**

6. 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

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and all employees are directed to co-operate with any request made by the Committee.

The Committee shall in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company shall also:-

- a) have the resources which are required to perform its duties
- b) have full and unrestricted access to any information pertaining to the Company and its subsidiaries ("the Group")
- c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity
- d) be able 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
- e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

Where the 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 Bursa Securities.

**FUNCTIONS**

7. The functions of the Committee shall be to:-

A. 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 of the Group to the external auditor;
- (e) 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;
- (f) 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;

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- (g) 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, significant and unusual events and compliance with accounting standards and other legal requirements;
- (h) any related party transaction (including recurrent related party transaction of a revenue or trading nature) 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 and, to also ensure that transactions are on normal commercial terms and are not detrimental to the interests of the shareholders;
- (i) any letter of resignation from the external auditor of the Group;
- (j) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment; and

B. Recommend the nomination of a person or persons as external auditor

together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

**ATTENDANCE AT MEETINGS**

- 8. In order to form a quorum for meetings of the Audit Committee, the majority of members present must be Independent Directors.
- 9. Other Directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.
- 10. The Company Secretary shall be the Secretary of the Committee.

**PROCEEDINGS AT MEETINGS**

- 11. If at any meeting the Chairman is not present within 10 minutes after the time appointed for holding the meeting, or is unwilling to act, the members present may choose one of their numbers to be Chairman of the meeting.
- 12. Save as is otherwise provided, the Committee shall meet, adjourn or otherwise regulate its meetings and proceedings as it thinks fit. Questions arising at any meeting of Audit Committee shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the Audit Committee.
- 13. In the case of an equality of votes the chairman of the meeting 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 members are competent to vote on the question at issue, shall not have a casting vote.

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14. A resolution signed by all members of the Audit Committee for the time being present in Malaysia shall be as effective as a resolution passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in the same form and each signed by one or more members of the Audit Committee.

**FREQUENCY OF MEETINGS**

15. The meetings shall be held not less than 4 times a year. A member may at any time and the Secretary shall on the requisition of a member summon a meeting of the Audit Committee.

**REPORTING PROCEDURES**

16. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.