

ENG KAH CORPORATION BERHAD

THE TERMS OF REFERENCE OF AUDIT COMMITTEE

OBJECTIVES

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following objectives: -

- assess the Group's process relating to its risks and control environment;
- oversee the Group's financial reporting; and
- evaluate the Group's internal and external audit processes.

COMPOSITION

The Audit Committee members shall be appointed by the Board of Directors amongst the members of the Board. The Committee shall comprise no fewer than three Directors, and all the members must be Non-Executive Directors with a majority of them being Independent Non-Executive Directors.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ('MIA'); or
- if the Director is not a member of MIA, the Director must have at least three (3) years of working experience and:
 - the Director must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or
 - the Director must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967 or
- fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

If a member of the Committee resigns, dies or for any reason ceases to be a member and as a result the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoints such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall review the terms of office and performance of the Committee and each of its members at least once (1) every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with the terms of reference.

QUORUM AND COMMITTEE'S PROCEDURES

Meetings shall be conducted at least four (4) times a year or more frequently as circumstances dictates.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be the Secretary of the Committee. The Secretary together with the Chairman shall draw up an agenda and circulate together with the relevant supporting documents, at least seven (7) days prior to each meeting to the members of the Committee. The minutes shall be kept and distributed to members of the Committee as well as the Board of Directors.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meeting.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet with the management as and when necessary, and with the head of internal audit and external auditors in separate sessions to discuss any matters without the presence of any Executive Directors of the Board, as and when necessary.

The Committee shall regulate the manner of proceedings of its meetings, having regards to normal conventions on such matter.

AUTHORITY

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any requests made by the Committee.

The Committee shall have full and unrestricted access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal audit unit and external auditors as well as senior management of the Group, and shall 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, whenever deemed necessary.

The Committee has the necessary resources which are required to perform its duties. The Committee shall also be able to obtain independent professional or other advices it considers necessary at the expense of the Group.

Whenever the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Committee shall promptly report such matter to the Bursa Securities.

DUTIES AND RESPONSIBILITIES

In fulfilling its primary objectives, the Committee shall undertake the following duties and responsibilities: -

- Review with the external auditors, the audit scopes and plans, including any changes to the scopes of the audit plans.
- Review the adequacy of the scopes and plans, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in control system or procedures that are identified.
- Review major audit findings and the management's response during the year with management, external auditors and internal audit unit, including the status of previous audit recommendations.
- Review the independence and objectivity of the external auditors, the audit fee and any question of resignation or dismissal before making recommendation to the Board.

- Review the internal audit programmes and results of the internal audit findings and if necessary, ensure that appropriate action is taken on the recommendations of the internal audit.
- Review any appraisal or assessment of the performance of staff of the internal audit function and to provide opportunity for the resigning staff member, if any, to submit his reason for resigning.
- Review the adequacy and integrity of the internal control system, including risk management and the internal audit unit and/or external auditors' evaluation on the control system.
- Review and consider investigation reports on any major defalcations, frauds and thefts and actions taken by management in response to the audit findings.
- Review the quarterly announcement to the Bursa Securities and year-end financial statements of the Company and the Group before submission to the Board, focusing particularly on: -
 - (a) changes in or implementation of major accounting policies and practices;
 - (b) significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (c) significant adjustments arising from the audit;
 - (d) the going concern assumption; and
 - (e) compliance with accounting standards and other legal requirements.
- Review and monitor any related party transactions and conflict of interest situation that may arise within the Company and the Group, including any transactions, procedures, or course of conduct that arises questions of management integrity and must be at arm's length and must not be unfavourable to the Company and its subsidiaries.
- To consider other functions or assignments as may be authorised by the Committee and the Board.

REPORTING PROCEDURES AND ACTIVITIES OF AUDIT COMMITTEE

The Chairman of the Committee shall report on each meeting to the Board. The Committee shall prepare reports, at least once a year, to the Board summarizing the Committee's activities during the year in discharging of its duties and responsibilities and the related significant results and findings.