

HOHUP[®]

**HO HUP CONSTRUCTION
COMPANY BERHAD**
(14034-W)

**AUDIT COMMITTEE
TERMS OF REFERENCE**

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1. Objectives

The purpose of the Audit Committee is to assist the Board of Directors of the Company ("the Board") in fulfilling its oversight responsibilities in respect of the following:

- i. Reviewing the financial statements, the financial reporting process and accounting policies;
- ii. Ensuring proper implementation of a system of internal controls relevant to the risks of the Group, by adopting the COSO system to manage the control environment and any compliance requirements;
- iii. Evaluating the internal and external audit process and its performance;
- iv. Reviewing conflict of interest situations and related party transactions; and
- v. Reviewing and monitoring of corporate governance practices within the Group.

2. Composition of the Audit Committee

The Board shall appoint the Audit Committee members from amongst themselves, based on the recommendation of the Nomination Committee, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be Independent Directors.

2.1 Members of the Audit Committee

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

- a. a member of the Malaysian Institute of Accountants; or
- b. if he is not a member of the Malaysian Institute of Accountants, the member must have at least 3 years' working experience and:
 - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - ii. he must be a member of one of the associations of the accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- c. fulfilled such other requirements as prescribed or approved by Bursa Securities.
- d. No alternate Director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with its Terms of Reference.

- e. In the event of any vacancy in the Audit Committee, the Board shall within three (3) months of that event appoint such number of new members as may be necessary to make up the number of three (3) members.
- f. Any former key audit partner must have observed a cooling-off period of at least two (2) years before one is eligible for appointment as an Audit Committee member.

2.2 Chairman of the Audit Committee

The members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Non-Executive Director. In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be Independent Director to chair the meeting.

The Chairman of the Audit Committee is not the Chairman of the Board.

The Chairman of the Audit Committee is responsible for the overall effectiveness and independence of the Committee.

3. Authority

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

- a. have explicit authority to investigate any matter within its Terms of Reference, the resource to do so, and full access to information. All employees shall be directed to cooperate as requested by members of the Audit Committee;
- b. have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group;
- c. obtain independent professional or other advice and to invite external consultants with relevant experience to attend, if necessary;
- d. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e. where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirement, the Audit Committee shall promptly report such matter to Bursa Securities; and
- f. convene meetings with the external auditors, internal auditors or both, without the presence of the management and employees, whenever it deems necessary.

4. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

a. Review of financial results

To review the quarterly and year-end financial statements of the Board, focusing particularly on:-

- any change in accounting policies and practices;
- significant adjustment arising from the audit;
- to determine the going concern assumption; and
- compliance with approved Malaysian Accounting Standards and other legal requirements.

b. External Auditor

To review with the external auditor of the following:

- the audit plan, including coordination with the internal audit function;
- the evaluation of the system of internal controls;
- the audit report

- to discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of the management where necessary);
- to review the external auditor's management letter and management's response;
- to review any letter of resignation from the external auditor;
- to review whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment;
- to recommend the nomination of a person or persons as external auditor;
- to recommend appointment, re-appointment or removal of external auditor and their audit fees; and
- to review the performance of the external auditor on annual basis including its suitability, objectivity and independence.

c. Internal Audit Function

To do the following, in relation to the internal audit function:-

- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has necessary authority to carry out its work;
 - Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - Review the performance of the members of the internal audit function including appointment and termination of senior staff members of the internal audit function.
 - Take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
 - To consider any related party 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;
 - To report its findings on the financial and management performance, and other material matters to the Board;
 - To consider the major findings of internal investigations and management's response;
- d. To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- e. To determine the remit of the internal audit function;
- f. To consider other topics as defined by the Board;
- g. To advise the Board of Directors and make recommendation in respect of risk management as to the following matters:-
- To monitor risk management processes are integrated into all core business processes and that the culture of the organization reflects of the risk consciousness of the Board;
 - Review the Risk Register and ensure that all risks are well managed;
 - Review the enterprise risk scorecard and determine the risks to be escalated to the

Board once a year;

- Provide a consolidated risk and assurance report to the Board to support the statement relating to internal control in the Company's annual report.
- h. To consider and examine such other matters as the Audit Committee considers appropriate.

5. Meetings

5.1 Company Secretary

The Company Secretary shall be the Secretary of the Audit Committee and shall have the following key responsibilities:

- a. ensure meetings are arranged and held accordingly.
- b. assist the Chairman in planning the Audit Committee's activities.
- c. draw up meetings agendas in consultation with the Chairman and the head of internal audit function, maintain minutes, and draft its scheduled activities for the financial year.
- d. ensure structured communication between the Board and the Audit Committee.
- e. ensure proceedings of meetings are recorded and properly kept. The minutes shall be circulated to and confirmed by the Chairman before disseminating them to the Board; and;
- f. Ensure Audit Committee recommendations presented to the Board are supported by papers, including minutes that explain the rationale for the Audit Committee's recommendations.

5.2 Quorum

- a. The quorum for the Audit Committee meetings shall be a majority of Independent Non-Executive Directors.
- b. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

5.3 Notice and Agenda

- a. Proper notice shall be issued for any Audit Committee meeting and the Chairman shall ensure that proper agenda is prepared for the meeting.
- b. The agenda and relevant papers for the Audit Committee meeting must be issued at least 5 days in advance of each meeting.

5.4 Frequency and attendance

- a. Meetings shall be conducted at least four times a year, or more frequently as circumstances dictate.
- b. The Chairman, in consultation with the Secretary, shall determine the frequency of the meeting and discuss the schedule of meetings with all participants concerned.
- c. Other members of the Board or Senior Management may attend the meetings upon the invitation of the Audit Committee.
- d. The Audit Committee may meet with the external auditor without executive Board Members and Senior Management present at least twice a year.

- e. Any member of the Committee may participate in any meeting of the Committee via telephone conferencing, video conferencing or by means of any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

5.5 Circular Resolution

A resolution in writing signed by all members shall be valid and effectual as if it had been passed at a meeting of the Audit Committee. All such resolutions shall be forwarded to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, telegram or other forms of electronic communication.

6. Review of the Terms of Office

The Nomination Committee shall review the term of office and performance of the Audit Committee members and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.

7. Review of the Terms of Reference

The Terms of Reference shall be reviewed and updated by the Audit Committee on a periodic basis as it deems appropriate for the Board to approve. Such review shall be in line with any regulations that may have an impact on the discharge of the Audit Committee's responsibilities.

The Terms of Reference is made available for reference on the Company's website at <http://www.hohupgroup.com.my>