

AUDIT COMMITTEE CHARTER

1. INTRODUCTION

The Audit Committee oversees and monitors the audit processes of Keck Seng (Malaysia) Berhad (8157-D) (“*Company*”), including the Company’s system of risk management and internal control.

2. ROLE

The Audit Committee is not a policy-making body but assists the board of directors of the Company (“*Board*”) by implementing board policy. The role of the Audit Committee includes assisting the Board in the Company’s governance and exercise of due care, diligence and skill in relation to:

- (a) financial reporting;
- (b) application of accounting policies;
- (c) financial management;
- (d) the internal control system;
- (e) the risk management system;
- (f) the performance management system; and
- (g) the compliance with applicable laws, regulations, standards and best practice guidelines.

3. RESPONSIBILITIES

The responsibilities of the Audit Committee are as follows:

3.1 Financial Reporting:

- (a) To review significant financial and reporting issues.
- (b) To review the quarterly results and the year-end financial statements before they are tabled for the approval by the Board, focusing particularly on:
 - (i) any changes in or implementation of major accounting policies;
 - (ii) major judgmental areas;
 - (iii) significant and unusual events; and
 - (iv) the compliance with accounting standards and other legal requirements.

3.2 Internal Control and Risk Management:

- (a) To assess the internal processes for determining and managing key risk areas.
- (b) To review the quality, adequacy and effectiveness of the internal control system, risk management system and performance management system of the Company and its group of companies (collectively “**Group**”) and to recommend to the Board steps to improve such systems.
- (c) To report to the Board on significant or material risks.
- (d) To review the extent of compliance with established internal plans, policies and procedures.

3.3 External Audit:

- (a) To make recommendations to the Board on the appointment and remuneration of external auditors.
- (b) To monitor the effectiveness and independence of the external auditors.
- (c) To determine policies and procedures to assess and to review the suitability and independence of external auditors.
- (d) To review with the external auditors the audit plan.
- (e) To review external auditors’ findings arising from audits.
- (f) To review with the external auditors the “Statements on Risk Management and Internal Control” of the Group for inclusion in the Company’s Annual Report.

3.4 Internal Audit:

- (a) To make recommendations to the Board on the appointment and remuneration of internal auditors.
- (b) To monitor the effectiveness and independence of internal audit and to ensure that sufficient resources are available to facilitate an effective audit to be conducted in the areas identified for review.
- (c) To review and evaluate factors related to the independence of internal auditors and assist them in preserving their independence.

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- (d) To review and approve the scope of the internal audit plan and work programme, monitor progress and consider implications of internal audit findings for the internal control environment.
- (e) To ensure that the internal audit and external audit programs are effectively co-ordinated.
- (f) To review the performance and competency of the internal audit function and report to the Board when necessary.
- (g) To approve the appointment and removal of the head of the internal audit who reports directly to the Audit Committee and should have relevant qualifications and be responsible for providing assurance to the Board that the internal controls are operating effectively.

3.5 Audit Reports:

To review the internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by the Management once significant lapses in controls and procedures are identified.

3.6 Related Party Transactions:

To review 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.

3.7 Other Responsibilities:

- (a) To prepare the “Report on Audit Committee” which will be included in the Company’s Annual Report.
- (b) To institute and oversee special investigation as required by the Board.
- (c) To carry out any other function that may be assigned by the Board when deemed necessary and appropriate.

4. AUTHORITY

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

- (a) investigate any matter within its terms of reference;
- (b) have access to any information pertaining to the Group;

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- (c) have direct communication channel with both the external and internal auditors as well as the employees of the Group, whether with or without the presence of the other directors and/or the Management;
- (d) have the right to seek independent professional or other advice to assist the Audit Committee in discharging its responsibilities;
- (e) resolve any disagreements between the Management and the external auditors on financial reporting; and
- (f) make reports (when necessary) to the relevant authorities if a breach of any of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“*Listing Requirements*”) occurs.

5. COMPOSITION

- 5.1 The Audit Committee shall consist of not less three (3) members, all of whom shall be non-executive directors with a majority of them being independent directors. The chairman shall be an independent director.
- 5.2 All Audit Committee members are able to read and understand financial statements and at least one of the members of the Audit Committee:
- (a) must be a member of the Malaysian Institute of Accountants (“*MIA*”);
 - (b) if he is not a member of the MIA, must have at least three (3) years’ working experience and:
 - (i) must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (ii) must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (c) must fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 5.3 The Board will appoint the Audit Committee members whereas the Audit Committee will elect its chair. No alternate director of the Board shall be appointed as a member of the Audit Committee.
- 5.4 Members will be appointed to the Audit Committee every three (3) years and are eligible for reappointment.

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- 5.5 All Audit Committee members are expected to attend each meeting in person or through other approved means, such as teleconferencing or video conferencing.
- 5.6 In the event of any vacancy in the Audit Committee resulting in non-compliance of the Listing Requirements, the vacancy shall be filled within three (3) months.
- 5.7 The Nominating Committee shall review the term of office and performance of the Audit Committee and each of its members annually to determine whether such committee and members have carried out their duties in accordance with this Charter.

6. MEETINGS

- 6.1 The Audit Committee will meet at least four (4) times a year and additional meetings may be convened whenever necessary at appropriate points in the audit cycle. The internal or external auditors may request a meeting and such a request is to be met.
- 6.2 The quorum for a meeting shall be two (2) members, and if only two (2) members are present, both must be Independent Directors. If the number of members present for the meeting is more than two (2), the majority must be Independent Directors. If the chairman of the Audit Committee is absent from a meeting, the members present will select a chair for that particular meeting.
- 6.3 The Audit Committee may invite other persons as it sees fit to attend its meeting and consult with other persons or seek any information it considers necessary to fulfil its responsibilities.
- 6.4 The Audit Committee shall meet with the external auditors without the presence of any executive board member or the Management at least twice a year and whenever necessary.

7. VOTING

Any matter requiring decision will be decided by a majority of votes of members present.

8. CONFLICT OF INTEREST

Audit Committee members will be invited to disclose conflict of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from committee discussions on the issue where such conflict exists.

9. SECRETARIAT DUTIES

- 9.1 The company secretary of the Company (“*Secretary*”) will act as secretary to the Audit Committee. The Secretary will assist the chairman of the Audit Committee to develop and distribute agendas, papers and minutes.
- 9.2 All Audit Committee members shall have direct access to the Secretary for advice or to use his/her services on matters relating to the Group.

10. MINUTES

Minutes must be prepared by the Secretary and circulated to the members for confirmation. The minutes of meeting must be approved and signed by the chairman and kept under the custody of the Secretary.

11. REPORTING TO BOARD

The chairman of the Audit Committee is to report to the Board following each Audit Committee meeting.

12. REVIEWS

The Audit Committee will from time to time review this Charter to ensure that it remains consistent with the Board’s objectives and responsibilities and the then prevailing laws and regulations. The Board will also review this Charter from time to time.