



Boustead Holdings Berhad 3871-H
(A member of LTAT Group)

**AUDIT COMMITTEE
TERMS OF REFERENCE**

(as at 5 March 2018)

**BOUSTEAD HOLDINGS BERHAD
AUDIT COMMITTEE
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BOUSTEAD HOLDINGS BERHAD AUDIT COMMITTEE TERMS OF REFERENCE

1 Introduction

- 1.1 The Audit Committee of Boustead Holdings Berhad (“Boustead Holdings” or “the Company”) was established on 27 June 1994.
- 1.2 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 Boustead Holdings Berhad Group (“the Group”), the control environment and any compliance requirements;
 - iii) Evaluating the internal and external audit process;
 - iv) Reviewing conflict of interest situations and related party transactions; and
 - v) Reviewing and monitoring of corporate governance practices within the Group.

2 Composition

2.1 Members of the Audit Committee

- i) The Audit Committee members shall be appointed by and from the Board, and the number shall not be less than three (3) members.
- ii) All members of the Audit Committee shall be Non-Executive Directors with a majority being Independent Directors. An alternate Director cannot be appointed as a member of the Audit Committee.
- iii) All members of the Audit Committee shall be financially literate and have sufficient understanding of the Company’s business.
- iv) At least one member of the Audit Committee:
 - a) must be a member of the Malaysian Institute of Accountants; or
 - b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - 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; or
 - c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad (“the Exchange”).

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- v) 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.
- vi) Any former key audit partner must have observed a cooling-off period of at least two years before one is eligible for appointment as an Audit Committee member.

2.2 Chairman of the Audit Committee

- i) The members of the Audit Committee shall elect a Chairman from among themselves, who shall be an Independent Non-Executive Director.
- ii) The Chairman of the Audit Committee is not the Chairman of the Board.
- iii) The Chairman of the Audit Committee is responsible for the overall effectiveness and independence of the Committee.

3 Authority

3.1 In performing its duties, the Audit Committee has the following authority as empowered by the Board to:

- i) investigate any activity or matter within its Terms of Reference;
- ii) acquire the resources which are required to perform its duties;
- iii) have full and unrestricted access to any information of the Company;
- iv) maintain direct communication channels with the external auditors and the head of the internal audit function;
- v) obtain independent professional advice and to secure the attendance of such outsiders with relevant experience and expertise as it may consider necessary; and
- vi) convene meetings with the external auditors, internal auditors or both, without the presence of the management and employees, whenever it deems necessary.

3.2 The Audit Committee may empower one or more of its members to meet or communicate with the external auditor and/or internal auditor independently.

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4 Responsibilities and Duties

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

- i) To review the quarterly results and the year-end financial statements of the Group prior to approval by the Board, focusing particularly on:
 - a) changes in or implementation of major accounting policies;
 - b) significant and unusual events; and
 - c) compliance with accounting standards and other regulatory requirements.

- ii) **External Auditor**
 - a) To review with the external auditor the following:
 - the audit plan, including coordination with the internal audit function;
 - the evaluation of the system of internal controls;
 - the audit report;
 - any significant problems and reservations that the external auditor may wish to discuss (in the absence of management where necessary);
 - the external auditor's management letter and management's response; and
 - the adequacy of assistance given by Group employees to the external auditor.

 - b) To review any letter of resignation from the external auditor.

 - c) To review whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.

 - d) To recommend the nomination of a person or persons as external auditor.

 - e) To recommend appointment, re-appointment or removal of external auditor and their audit fees.

 - f) To review the performance of the external auditor on an annual basis including its suitability, objectivity and independence.

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iii) Internal Audit Function

- a) In relation to the internal audit function, the Audit Committee is responsible to:
- ensure the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
 - ensure sufficiency of 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.
 - review the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors' *International Professional Practices Framework* and make recommendations for improvement of the internal audit function.
- b) The Audit Committee shall ensure that the internal audit function is effective and is able to function independently.
- c) The Audit Committee shall review the performance of head of internal audit function and internal audit function including appointment or termination of head of internal audit function.
- d) The Audit Committee shall review the following disclosures to be included in the annual report and recommends its approval by the Board:-
- whether internal audit personnel are free from any relationships or conflict of interest, which could impair the objectivity and independence;
 - the number of resources in the internal audit department;
 - name and qualification of the person responsible for internal audit; and
 - whether the internal audit function is carried out in accordance with a recognised framework.
- iv) To ensure that the Group has adequate procedures and processes in relation to Related Party Transactions and Recurrent Related Party Transactions.
- v) To bring its view on the Related Party Transaction to the Board.
- vi) To review any conflict of interest situation that may arise within the Group.
- vii) To review the overall risk profile of the Group's risks, the significant risks and to provide guidance on the action plan to address the identified risks and report to the Board.

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- viii) To report to the Exchange, any breaches of the Main Market Listing Requirements, which have not been satisfactorily resolved.
- ix) To report to the Board on the Audit Committee's activities, issues and related recommendations. The report of the Audit Committee should be a permanent agenda of the Board meetings.

5 Relationship with Listed Subsidiaries' Audit Committees

- i) The Audit Committee delegates fully the functions under its Terms of Reference in respect of its subsidiaries which are listed on the Exchange ("the listed subsidiaries") and companies directly held by the listed subsidiaries, to the audit committees of the listed subsidiaries.
- ii) Where practicable, consistency should be maintained in the conduct of all the Audit Committees and in the adoption of accounting policies and corporate governance processes.
- iii) The minutes of the Listed Subsidiaries' Audit Committee meetings shall be submitted and tabled to the Audit Committee.
- iv) The Audit Committee reserves its right to be apprised of any significant issues reported to the listed subsidiaries' audit committees and any other matters it deems appropriate as and when the Audit Committee deems fit.

6 Meetings

6.1 Company Secretary

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

- i) Ensure meetings are arranged and held accordingly;
- ii) Assist the Chairman in planning the Audit Committee's activities;
- iii) 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;
- iv) Ensure structured communication between the Board and the Audit Committee;
- v) 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
- vi) Ensure Audit Committee recommendations presented to the Board are supported by papers, including minutes that explain the rationale for the Audit Committee's recommendations.

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6.2 Quorum

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

6.3 Notice and Agenda

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

6.4 Frequency and attendance

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

6.5 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 resolution shall be forwarded to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolutions 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.

7 Review of the Terms of Office

The Nominating Committee shall review the term of office and performance of the Audit Committee 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.

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8 Review of the Terms of Reference

- 8.1 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.
- 8.2 The Terms of Reference is made available for reference on the Company's website at <http://www.boustead.com.my>.