

KEN HOLDINGS BERHAD

(Company No. 106173-M)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. POLICY

The policy of the Audit Committee is to ensure that internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively by the KEN Holdings Berhad group of companies.

2. OBJECTIVES

The objectives of this policy are:

- a) to assure the shareholders of the Company that the Directors of the Company have complied with the Malaysian financial standards and required disclosure policies developed and administered by Bursa Malaysia Securities Berhad ("Bursa Securities");
- b) to ensure consistency with Bursa Securities' commitment to encourage high standards of corporate disclosure and to adopt best practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to all the Company's shareholders; and
- c) to relieve the full Board of Directors from detailed involvement in the review of the results of internal and external audit activities and yet ensure that audit findings are brought to the highest level for consideration.

3. MEMBERSHIP

- a) The Committee shall be appointed by the Board from amongst the directors of the Company and shall be composed exclusively of Non-Executive Directors of no fewer than three (3) members, of whom the majority shall be independent.
- b) The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three (3) years' working experience and have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or alternatively a person who has fulfill such other requirements as prescribed or approved by Bursa Securities.
- c) No alternate director shall be appointed as a member of the Committee.
- d) The members of the Committee shall elect from among their number a Chairman who is non-executive and independent, as defined above.
- e) In the event of any vacancy in the Committee resulting in the non-compliance of Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"), the Board shall fill the vacancy within three (3) months of the event.
- f) The Board shall review the term of office of Committee members no less than once every three (3) years.

4. AUTHORITY

The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:

- a) investigate any activity within the Committee's terms of reference;
- b) have resources which are reasonably required to enable it to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company or its subsidiaries;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

5. FUNCTIONS AND RESPONSIBILITIES

5.1 The functions of the Committee shall be, amongst others, to review the following and report the same to the Board:

- a) with the external auditors, the scope of the audit and the audit plan;
- b) with the external auditors, their evaluation of the system of internal controls;
- c) with the external auditors, their management letter and the management's response;
- d) with the external auditors, their audit report;
- e) the assistance given by the employees to the external auditors;
- f) the nomination or re-appointment of the external auditors and their audit fees as well as matters pertaining to resignation or change of the external auditors;
- g) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- h) 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;
- i) the evaluation of the adequacy of the effectiveness of the risk management and internal control systems and to review risk management reports from management for risk identification, assessment and management;
- j) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (i) any changes in or implementation of major accounting policy changes;
 - (ii) significant adjustments arising from the audit;
 - (iii) significant and unusual events;
 - (iv) the going concern assumption; and
 - (v) compliance with applicable accounting standards and other legal requirements; and
 - (vi) compliance with the Listing Requirements

- k) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- l) to carry out any other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board from time to time.

5.2 The Committee shall establish an internal audit function which is independent of the activities it audits.

5.3 The Committee shall oversee all internal audit functions and is authorised to commission investigations to be conducted by internal audit as it deems fit.

5.4 The internal auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.

5.5 All proposals by management regarding the appointment, transfer or dismissal of the internal auditor shall require the prior approval of the Committee.

5.6 The Committee shall prepare an annual report to the Board that provides a summary of the activities of the Committee and the internal audit function or activity for inclusion in the Company's Annual Report.

5.7 The Committee may report any breach of the Listing Requirements, which has not been satisfactorily resolved to Bursa Securities.

6. QUORUM, ATTENDANCE AND FREQUENCY OF MEETINGS

- a) The quorum shall be formed only if there is a majority of members present at the meeting who are independent directors.
- b) The head of the finance department, the representative of the Internal Auditor and a representative of the external auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting upon the invitation of the Audit Committee, specific to the relevant meeting. However, the Committee shall meet at least once a year with the external auditors without the executive Board members being present.
- c) The Chairman shall call for meetings, to be held not less than four (4) times a year. The external auditors may request a meeting if they consider one necessary.

7. PROCEEDINGS OF MEETINGS

- a) A member may at any time and the Secretary shall on the requisition of a member summon a meeting of the Audit Committee by giving the members not less than seven days' notice thereof unless such requirement is waived.
- b) In the absence of the Chairman, the Committee shall appoint one of its members present to chair that meeting.
- c) A resolution put to vote shall be decided by a majority of votes of the members present, each member having one vote.

8. REPORTING PROCEDURES

The Company Secretary shall be the Secretary of the Committee. He shall record attendance of all members and invitees and take minutes to record the proceedings of every meeting of the Committee. All minutes of meetings shall be circulated to every member of the Board.