

# KEN HOLDINGS BERHAD

Registration No.: 198301010855 (106173-M)  
(Incorporated in Malaysia)

## TERMS OF REFERENCE OF AUDIT COMMITTEE

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### 1. POLICY

The policy of the Audit Committee ("AC") is to ensure that the internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively by the Group.

### 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 Reporting Standards and the 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 Board from detailed involvement in the review of the results of internal and external audit activities but yet ensure that audit findings are brought to the highest level for consideration.

### 3. COMPOSITION

- a) The AC shall be appointed from amongst the Board and shall be composed exclusively of Non-Executive Directors of no fewer than 3 members, all of whom the majority shall be independent.
- b) At least one (1) member of the AC must be:
  - i) a member of the Malaysian Institute of Accountant ("MIA"); or
  - ii) if he is not a member of MIA, he must have at least three (3) years of working experience and:
    - he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- c) No alternate Director is appointed as a member of the AC;
- d) The terms of office and performance of the AC and each of its members shall be reviewed by the Nomination Committee annually to determine whether the AC and its members have carried out their duties in accordance with their Terms of Reference.
- e) A former key audit partner shall observe a cooling-off period of at least 3 years before being appointed a member of the AC.

#### **4. CHAIRMAN**

- a) The AC shall elect a Chairman from among its members and the elected Chairman shall be an Independent Non- Executive Director.
- b) The Chairman of the AC shall not be the Chairman of the Board.
- c) The Chairman of the Board should not be a member of AC.
- d) In the absence of the Chairman of the AC, the other members of the AC shall amongst themselves elect a Chairman to chair the meeting.
- e) The Chairman shall be responsible for:
  - i) planning and conducting of meetings;
  - ii) overseeing the reporting of any potential issues and other issues discussed in its meetings to the Board thereafter;
  - iii) encouraging open discussion amongst its members and other invitees during meetings; and
  - iv) maintaining active ongoing dialogue with Management and both Internal and External auditors.

#### **5. RETIREMENT AND RESIGNATION**

If any member of the AC retires, re-designates, resigns, or for any reason ceases to be a member or Chairman resulting in non-compliance with Paragraph 2(a) above, the Board and the members of the AC shall, within 3 months of the event, appoint/elect such new member(s) or Chairman as may be required to fill the vacancy.

#### **6. SECRETARY**

The Company Secretary shall be the Secretary of the AC and shall be responsible, in conjunction with the Chairman, for circulating the agenda and minutes of meeting to all members prior to each meeting.

#### **7. AUTHORITY**

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

- a) investigate any activity within the AC's Terms of Reference;
- b) have resources which are reasonably required to enable the AC to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Group;
- d) have direct communication channels with the internal and external auditors;
- 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;
- f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of the other Executive Directors and management of the Company, whenever deemed necessary; and
- (e) where the AC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"), the AC shall promptly report such matter to Bursa Securities.

## 8. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC are as follows :

- (a) to review the following, in relation to External Auditors, and report the same to the Board:
- i) to consider the appointment and/or re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person(s) as auditors;
  - ii) to establish policies to consider the nature and extent of the non-audit services rendered and the appropriateness of the level of the fees;
  - iii) to establish policies to assess the competency, audit quality & resource capacity of the external auditor in relation to the audit;
  - iv) to obtain written assurance from external auditor, confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory environments;
  - v) to review the following with the external auditors:
    - the audit plan, its scope and nature;
    - the audit report;
    - the results of their valuation of the accounting policies and systems of internal accounting controls within the Group; and
    - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit;
  - vi) to assess the suitability objectivity and independence of the external auditors on an annual basis;
  - vii) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management, where necessary);
  - viii) to review the unaudited quarterly financial results and the audited financial statements of the Group before recommending to the Board for approval, focusing particularly on:
    - changes in or implementation of major accounting policy changes;
    - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
    - compliance with applicable accounting standards and other legal requirements;
    - significant adjustments arising from the audit;
    - the going concern assumption; and
    - major judgement areas;
- (b) to review the following, in relation to Internal Auditors, and report the same to the Board:
- ensure that the person responsible for the internal audit has relevant experience, sufficient standing and authority to discharge his function effectively;
  - review the internal audit plan, processes and results of the internal audit assessment, investigation undertaken and whether the recommendations by the Internal Auditors have been implemented;
  - ensure that the Internal Auditors report directly to the AC;
  - review any appraisal or assessment of the performance of Internal Auditors;

- approve any appointment or termination of the Internal Auditors;
  - ensure the Internal Audit function has sufficient resources to carry out its role effectively.
- (c) to consider any related party transaction entered into by the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and to review any conflicts of interest that may arise within the Group including any transaction, procedure or course of conduct that raises questions of Management's integrity;
- (d) to report its findings on the financial and management performance, and other material matters to the Board;
- (e) to consider the major findings of internal investigations and management's response;
- (f) to monitor the Company's compliance with relevant laws, regulations and code of conduct;
- (g) to review the adequacy and effectiveness of risk management, internal control and governance systems and to review risk management reports from Management for risk identification, assessment and management.
- (h) to consider and examine such other matters as the AC considers appropriate; and
- (i) to consider other matters as may be directed by the Board from time to time; and
- (k) to review with Management:
- audit reports and management letter issued by the External Auditors and the implementation of audit recommendations; and
  - interim financial information.

#### **9. 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 AC, specific to the relevant meeting. However, the AC 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.

## **10. 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 AC by giving the members not less than seven days' notice thereof unless such requirement is waived.
- b) In the absence of the Chairman, the AC shall appoint one of its members present to chair that meeting.
- c) Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.
- d) A member of the AC, may participate in a meeting of the AC by means of a conference telephone, electronic or any communication facilities which allows all persons participating in the meeting and shall be entitled to vote or be counted in a quorum accordingly notwithstanding the fact that he is not physically present at the venue where the meeting is to be held. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting then is.
- e) A member of the AC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.

## **11. REPORTING PROCEDURES**

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

## **12. CIRCULAR RESOLUTION**

A resolution in writing signed by a majority of the AC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the AC duly called and constituted. Any such resolution may consist of several documents in like form each signed by a majority of AC members. Any such document may be accepted as sufficiently signed by AC member if transmitted to the Company by electronic or any communication facilities to include a signature of an AC member.

## **13. REVIEW OF THE WRITTEN TERMS OF REFERENCE**

Any amendments to these terms of reference are to be approved by the Board. These terms of reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the AC responsibilities.

The written terms of reference will be made available to public on the Company's website.