



SOUTH MALAYSIA INDUSTRIES BERHAD

Company No: 196901000152 (8482-D)

TERMS OF REFERENCE OF AUDIT COMMITTEE

COMPOSITION OF AUDIT COMMITTEE

- The Audit Committee shall be appointed by the Board from amongst the directors of the Company on the recommendation of the Nomination Committee and shall consist of not fewer than 3 members.
- The Chairman of the Audit Committee is not the Chairman of the Board.
- All the Audit Committee must be non-executive directors with a majority of them being independent directors.
- No alternate director of the Board shall be appointed as member of the Committee.
- All members of the Audit Committee should be financially literate and shall include at least one (1) member shall :
 - (a) Be a member of the member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) If he/she is not a member of the MIA, he/she must have at least 3 years’ working experience and:
 - (i) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he/she must be a member of one of the Association of Accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) who must have at least three (3) years’ post qualification experience in accounting or finance and:
 - (a) has degree/master/doctorate in accounting or finance; or

- (b) A member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
 - (iv) who must have at least seven (7) years experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation;
 - (v) fulfill such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- The Audit Committee shall elect a Chairman from among its members who shall be an Independent Director.
 - In the event of any vacancy in an Audit Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.
 - All members of the Audit Committee shall hold office until otherwise determine by the Board or until they cease to be a director of the Company.
 - A director who is a former key audit partner can only be appointed as member of the Audit Committee after he has observed a cooling-off period of at least three (3) years.

MEETINGS

- The Audit Committee shall meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.
- In the absence of the Chairman, the Committee shall appoint one of the independent members present to chair the meeting.
- The Chairman shall convene a meeting of the Audit Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.
- The Audit Committee shall convene meetings with the external auditors, the internal auditors or both, in the absence of the management and/or executive board members where necessary.
- Other Board members and employees may attend the meeting upon the invitation of Audit Committee.
- Audit Committee meetings may be held at two (2) or more venues within or outside Malaysia using any technologies that enable the Audit Committee members as a

whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting.

- A minute of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates.

SECRETARY TO AUDIT COMMITTEE

The Company Secretary shall be the secretary of the Audit Committee.

NOTICE OF MEETINGS

Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the member either personally or by fax or e-mail or by post or by courier to his registered address as appearing in the Register of Directors, as the case may be.

QUORUM

A quorum shall consist of a majority of members who are Independent Directors and shall not be less than two (2) members.

AUTHORITY

- The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorized by the Board to obtain external legal or other independent professional advice as necessary.
- The Terms of Reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Executive Director to institute or instruct internal audits and reviews to be undertaken from time to time.
- The Chairman of the Audit Committee, upon the request of the external auditors, shall convene a meeting of the Audit Committee to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.

DUTIES AND RESPONSIBILITIES

Review the following with external auditors and report the same to the Board:

- (i) audit plan, audit reports, major findings and management's responses thereon;
- (ii) evaluation of the system of internal controls;

- (iii) audit fees, including the monitoring and approval of all non-audit services;
- (iv) matters concerning the nomination, appointment (and re-appointment), resignation or dismissal of external auditors as well as the external auditors' independence, objectives and effectiveness, taking into consideration their relevant professional and regulatory requirements;
- (v) the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved before the audit commences; and
- (vi) the assistance given by the Group's employees to the external auditors.

Review the following in relation to the internal audit function:

- (i) adequacy of the scope, functions, competency and resources of the internal audit department and that it has the necessary authority to carry out its work;
 - (ii) the internal audit plans and programs, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (iii) approve any appointment or termination of senior staff members of the in-house internal audit department;
 - (iv) take cognisance of all resignations and provide the resigning internal audit member to submit his reasons for resigning; and
 - (v) the assistance given by the Group's employees to the internal auditors and co-ordination of the internal auditors with the external auditors.
- Review, manage and monitor risks that could potentially impact the Group and to oversee the implementation of risk governance on behalf of the Board.
 - Review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) going concern assumption;
 - (iv) compliance with accounting standards and other legal requirements; and
 - (v) major judgemental areas.
 - Review and evaluate any related party transactions and conflict of interest situation including recurrent related party transactions.
 - Review any conflict of interest ("COI") situations (besides related party transactions) within the Group involving a key person, including COI situations that arose or persist (ie. in addition to those that may arise), and put in place the measure to resolve, eliminate or mitigate the COI situations.

The "key person" herein refers to a Director, key senior management of the Company. Key senior management shall consist of Chief Executive Officer, Group Accountant and

an other C-suite management of the Company and its subsidiaries (“Senior Management”)

- Oversee the Group’s internal control structure to ensure operational effectiveness and efficiency, protect the Group’s assets from misappropriation and encourage legal and regulatory compliance.
- Consider the major findings of internal investigations and management’s responses.
- To oversee the implementation of whistleblowing procedures, direct the internal audit department to undertake the necessary inquiries and investigations of the whistleblowing reports and make a finding based on the results of the investigations and the same may be notified to the whistle-blower, subject to the Board’s discretion.
- To undertake such other functions as may be agreed to by the Audit Committee and the Board.

OTHER MATTERS

- Review the Audit Committee Report, Statement on Risk Management and Internal Control and any other relevant disclosures before submitting for the Board’s approval and inclusion in Annual Report.

REVIEW OF THE AUDIT COMMITTEE

The Nomination 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 has carried out its duties in accordance with its terms of reference.

REPORTING OF BREACHES TO THE BURSA SECURITIES

The Audit Committee is to report promptly to the Bursa Securities on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.