

HARRISONS HOLDINGS (MALAYSIA) BERHAD
REGISTRATION NO. [199001003108 (194675-H)]

TERMS OF REFERENCE - AUDIT COMMITTEE

1. Purpose

The purpose of the Audit Committee ("AC") is to assist the Board to fulfil its fiduciary responsibilities relating to risk management and internal controls and in its oversight of the financial and accounting records and policies as well as the integrity of the financial reporting and practices of the Company and its subsidiaries ("Group").

2. Composition and Membership

- i) The AC shall compose of not less than three (3) members.
- ii) All the AC members must be non-executive directors, with a majority of them being Independent Directors and at least one (1) member:-
 - a) must be a member of the Malaysian Institute of Accountants; or
 - b) if he/ she is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- iii) No alternate director shall be appointed as a member of the AC.
- iv) All member of the Audit Committee should be financially literate, competent and are able to understand matters under the purview of the AC including financial reporting process.
- v) Any person having a relationship which, in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the functions of the AC shall not be appointed as an AC member.
- vi) The office of AC member shall automatically be vacated when he/ she ceases to be a Director of the Company.
- vii) In the event of any vacancy in the AC resulting in the non-compliance of items 2(ii), 2(iii) and 3(i), the Company must fill the vacancy within three (3) months.
- viii) In case a former partner of the external audit firm of the Company is being nominated as a member of the AC, he/she shall observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.
- ix) The Nomination Committee must review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

3. Chairman

- i) The Chairman shall be elected by the AC from amongst their members, shall be an Independent Director.
- ii) In the event the Chairman is unable to be present at the Meeting, the members who are present at the meeting can appoint a Chairman amongst themselves, who shall be an independent Director, to chair the meeting.

- iii) The Chairman should undertake, amongst others, the following responsibilities:-
 - planning and conducting meetings;
 - overseeing reporting to the Board;
 - encouraging open discussion during meetings; and
 - developing and maintaining active on-going dialogue with Management, the internal auditors and the external auditors.
- iv) The Chairman should engage on a continuous basis with senior Management, such as the Chairman of the Board, the Managing Director/Chief Executive Officer, the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company such as the Company's reporting process, internal controls, risk management and governance with the aim to ensure effectiveness and efficiency of the internal control systems and the risk management framework.

4. Secretary

The Company Secretary or her/his nominee shall act as Secretary of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary or her/his nominee shall be in attendance at each AC meeting and record the proceedings of the meeting thereat and minute the resolutions.

The Secretary shall also be responsible for keeping the minutes of AC meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the AC at the Registered Office of the Company.

5. Meetings

- i) The AC shall meet at least four (4) times in each financial year.

The AC may call for additional meeting as and when required depending on the level of responsibility and complexity of the Group with reasonable notice as the Committee Members deem fit.

The AC Members may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a member to be in the physical presence in the meeting. The member participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed by the member in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the members duly convened and held.

- ii) The quorum for a AC meeting shall be two (2) members, provided that majority of the members present at the AC meeting shall be independent. The Committee at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.

If within half an hour from the time appointed for the AC meeting, a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the AC members by notice to the other members appoint.

- iii) All decisions at such meeting shall be decided by a simple majority of votes. In case of an equality of votes, Chairman shall be entitled to a casting vote in addition to the vote which he is entitled as an Audit Committee member. A member of the AC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting shall not vote participate in the voting process.
- iv) Meetings of the AC shall be called by the Secretary at the request of the AC Chairman based on planned calendar dates. Notice of each AC meeting confirming the venue, time and date, together with an agenda of items and its supporting papers to be discussed, shall be forwarded to each member of the AC.
- v) The internal auditors, the external auditors and Management may attend any AC meeting at the invitation of the AC and shall appear before the AC when required to do so by the AC.
- vi) The internal auditors and the external auditors may also request a AC meeting if they consider it is necessary (and/or believe the matter should be brought to the attention of the AC and/or the Board) and have the right to appear and be heard at any meeting of the AC.
- vii) The AC shall have the right to meet with the External Auditors without the presence of any executive directors and Management.
- viii) The AC shall have the right to invite other Directors and Management as applicable to participate in the AC meetings, as and when necessary, to carry out its responsibilities.
- ix) The AC may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- x) Except in the case of an emergency, reasonable notice of every AC meeting of not later than seven (7) days before the date of the meeting shall be given to the AC members.

6. Resolutions in Writing

In the event that the AC requires matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronic means by a majority of the members of the AC, 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 be executed in any number of counterparts, each signed by one or more members of the AC all of which taken together and when delivered to the Secretary shall constitute one (1) and the same resolution.

7. Duties and Functions

The main functions and duties of the AC shall include, but are not limited to the following:-

- a) Ensuring Financial Statements Comply with the Applicable Financial Reporting Standards
 - Review the quarterly financial results, audited financial statements and annual report of the Group and the Company and ensure, amongst others, that it complies with applicable financial reporting standards prior to submission to the Board for consideration and approval.
 - Review any changes in the implementation of major accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with Listing Requirements of Bursa Securities and other legal requirements.
 - Monitor the integrity of the financial statements of the Company and assess whether the financial report represents a true and fair view of the Company's performance and ensure compliance with the regulatory requirements.
 - Propose best practices on disclosure in the financial statements and the annual reports of the Company, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.

- b) Reviewing the Audit Findings of the External Auditors and Assessing the Performance, Suitability and Independence of the External Auditors:
 - Review the external auditors' audit plans, its scope of work and nature for the Group.
 - Review the external auditors' findings arising from audits and in particular, responses, appropriate action taken by Management of the Group.
 - Review the results of the evaluation of the accounting policies and systems of internal controls within the Group and the assistance given by the officers or the employees of the Group to the External Auditors, including any difficulties or disputes with Management encountered during the audit.
 - Review the fees and expenses paid to the External Auditors, including fees paid for non-audit services during the year and assess the suitability, objectivity, resources, competency and independence of the external auditors for their re-appointment.
 - To review and approve the provision of non-audit services by the External Auditors and to ensure that they comply with the External Auditors Policy and Procedures.
 - Conduct private meetings with the External Auditors without the presence of Executive Directors or employees of the Group to discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss.
 - Review the co-operation and assistance given by Management to the External Auditors.
 - Review any letter of resignation from the External Auditors and report the same to the Board
 - Review whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for re-appointment and recommend the nomination of a person/ persons as external auditor(s).

c) Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Internal Control Systems in the Key Operation Processes by:

- Review the internal audit plan and 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;
- Review and discuss with the internal auditors, their audit findings, recommendations made, Management's response to the audit findings and proposed action plans, including those issues arising during the course of audit (in the absence of Management, where necessary);
- Review the effectiveness and efficiency of the internal controls system, including the anti-corruption, whistle-blowing and governance processes in place and the risk factors affecting the Company as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system;

and thus decide on among others the appointment and removal, scope of work, performance evaluation; and budget for the internal audit function, taking into account the following:

- the person responsible for internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;
- internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and
- the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.

d) Assessing the Risk Management and Internal Control:

- Recommend such measures as to be taken by the Board on the effectiveness of the internal control systems and risk management practices of the Group;
- Evaluate the quality and effectiveness of Group's internal control systems and management information systems, including in compliance with applicable laws, rules, corporate governance requirements and guidelines;
- Review and recommend to the Board the Directors' Statement on Risk Management and Internal Control and any changes to the said Statement; and
- Assist the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the Internal Auditors and report its findings to the Board.

e) Ensuring the adequacy of the whistleblowing and fraud protection policies:

- Review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow independent investigation of such matters and appropriate follow up action; and review the Company's procedures for detecting fraud.
- Cultivate the awareness of the employees and ensure the whistleblower could report directly to the AC on any possible wrongdoings or fraud detected.

- f) Accessing the Related Party Transactions and/or Conflict of Interest
- Review any related party transaction, including recurrent related party transactions, and conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.
 - Ensure that the Group has adequate procedures and processes in place to monitor, track and identify recurrent related party transaction and conflict of interest/potential conflict of interest, and through IA, review these procedures and processes on a periodic basis.
- g) Overseeing the Governance Practices in the Group
- Review and issue the AC Report for inclusion in the Annual Report.
 - Review the Statement on Risk Management and Internal Control and Statement on Corporate Governance to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.
 - Review the minutes of meetings of the AC.
 - Review the Terms of Reference of the AC.
 - Review any corporate proposals.
- h) Share Issuance Scheme for Employees
- Review and verify the allocation of options pursuant to the share issuance scheme as being in compliance with the criteria for allocation of options under the share issuance scheme, at the end of each financial year, if any.
- j) Conflict of Interest
- An AC member shall excuse himself/ herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member.
- j) Other Matters
- Oversee any periodic or ad-hoc or assurance activities with respect to sustainability management and reporting processes.
 - To undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

8. Rights and Authority

The AC shall:-

- i) have authority to investigate any matter within its terms of reference and have the right of direct access to anyone in the Group to conduct a special investigation to be carried out for fraud, violation of code of conduct or an illegal act
- ii) have the resources which are required to perform its duties;

- iii) have full and unrestricted access to any information pertaining to the Group;
- iv) have direct communication channels with the External Auditors and the Internal Auditors;
- v) have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuers, or tax consultants with relevant experience and expertise to attend the AC meetings (if required) and to brief the AC at the Company's expense, with prior consent of the GMD/CEO to approve the budget;
- vi) have the right to convene meetings with the Internal Auditors and the External Auditors, without the presence of the executive board members, Management or employees of the Group, whenever deemed necessary;
- vii) promptly report to Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the listing requirements;
- viii) have the right to pass resolutions by a simple majority vote from the AC and that the Chairman shall have the casting vote should a tie arise;
- ix) meet as and when required on a reasonable notice; and
- x) have explicit authority to investigate any matters of the Company and its subsidiaries, within its terms of reference, where it deems necessary, investigate any matter referred to it or that it has come across in respect of a transaction that raises questions of management integrity, possible conflict of interest, or abuse by a significant or controlling shareholder.

9. Revision and/ or Updates

The AC should recommend any change to the terms of reference in such manner as the AC deems appropriate to the Board for approval.

The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code of Corporate Governance, Listing Requirements of Bursa Securities or any other regulatory requirement that may have an effect on the AC's responsibilities.

It shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the AC's roles and responsibilities.