

CHIN WELL HOLDINGS BERHAD

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Composition

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members of whom all the members must be Non-Executive Directors, with a majority of them being Independent Directors. The members of the Committee shall elect a chairman from among their member who shall be an Independent Director. An Alternate Director must not be appointed as a member of the Committee and all members of the Committee should be financially literate.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:-

- a member of the Malaysian Institute of Accountants (“the MIA”); or
- if he or she is not a member of the MIA, he must have at least three (3) years working experience and
 - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 (“the Act”); or
 - he or she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Act.
- he or she fulfills such other requirements as prescribed or approved by Bursa Securities.

Meetings

Meetings shall be held not less than four (4) times a year. The quorum of the meeting is two (2) and the majority of the members present must be Independent Directors. The external auditors may be required to attend the meeting when it is necessary. At least twice a year the Committee shall meet with the external auditors without any executive of the Group being present. Other Board members and senior management may attend meetings upon the invitation of the Audit Committee.

The Secretary to the Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

The Chairman of the Committee should engage on a continuous basis with senior management, such as the Group Managing Director and the Finance Director in order to be kept informed of matters affecting the Company.

Authorities

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group. The Committee has direct communication channels with both the Internal and External Auditors and to all employees of the Group. The Internal Audit function reports directly to the Audit Committee. The Committee is able to convene meetings with external and internal auditors excluding the attendance of the Executive Directors and management of the Company whenever deemed necessary. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

Responsibilities and duties

The responsibilities and duties of the Committee shall be:-

Related Party Transactions

- To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity. They are also required to ensure that the Directors report such transactions annually to shareholders via the annual report;

Financial Reporting

- To review the quarterly reporting to the Bursa Securities and year-end annual financial statements of the Group before submission to the Board, focusing on:-
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - implementation of major accounting policies and practices

Internal Audit

- To review the following in respect of internal audit:-
 - adequacy of scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work
 - internal audit program
 - coordination of external audit with internal audit

- the major findings of internal audit investigations and management's responses, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- assessment of the performance of the outsourced internal auditor
- appointment or termination of the internal auditor
- to take cognizance of resignation of internal auditor and provide them an opportunity to submit their reasons for resigning.

External Audit

- To discuss with the External Auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- To discuss problems and reservations arising from the interim and final external audits, the audit report and any matters the External Auditors may wish to discuss (in the absence of management, where necessary);
- To review with the External Auditors, his evaluation of the system of internal controls, his management letter and management's response;
- To recommend the nomination and appointment of External Auditors, as well as the audit fee;
- To review the appointment and any letter of resignation from the External Auditors and any questions of resignation or dismissal;
- To report promptly to Bursa Securities on any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities;
- To assess the performance and independence of external auditors.

Risk Management

- To oversee the risk management and internal control systems instituted within the Group
- To review, deliberate and evaluate the effectiveness and efficiency of the risk management and internal control systems in the Group.

Annual Report

- To prepare the Audit Committee Report and review the Internal Control Statement as well as Corporate Governance Statement for the annual report.

Other Functions

- To review and verify the allocation of share options granted to employees pursuant to the Employee Share Option Scheme.
- To perform any other functions as may be agreed by the Audit Committee and the Board.

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