

HALEX HOLDINGS BERHAD (“HHB”)

1. INTRODUCTION

The term of reference set out the role, composition and responsibilities of the Audit Committee members (“AC”) of Halex Holdings Berhad. AC is committed to discharging its fiduciary duties, both individually and collectively, according to the standards of integrity and professionalism, and according to the guidelines and best practices set out in the Malaysian Code on Corporate governance.

A copy of this term of reference is published on Company’s website.

2. COMPOSITION

- The Board shall elect an AC from amongst themselves (pursuant to a resolution of the Board of Directors) comprising not less than three (3) members whom shall be composed of independent non-executive members of the Board.
- The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or possessing such financial related qualification or experience as required by Bursa Malaysia Securities Berhad.
- The term of office of the AC is two years and may be re-nominated and appointed by the Board.
- All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the AC cease to be a Director of the Company, his membership in the AC will cease forthwith.
- No Alternate Director of the Board shall be appointed as member of the AC.
- If the number of members of the AC for any reason be reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- All members of the AC shall possess sound judgment, objectivity, management experience, integrity and knowledge of the industry. A member of the AC shall excuse himself from the meeting during discussions or deliberations on any matter which gives rise to an actual or perceived conflict of interest situation for him.
- A former key audit partner is to observe a cooling-off period of at least two (2) years before being appointed as a member of AC.

3. OBJECTIVES

The principal objective of the AC is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the AC shall:

- Evaluate the quality of audits performed by the internal auditors (“IA”) and external auditors (“EA”);
- Provide assurance that the financial information presented by management is relevant, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- Determine the quality, adequacy and effectiveness of the Group’s control environment.

4. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC are as follows:

- To consider the appointment of EA for appointment or re-appointment and to assess the EA on their independence, qualification, adequacy of experience and resources of the firm and the resources assigned to the audit, the audit fee and any question of resignation or dismissal;
- To annual assess and report to the Board on the independence of the EA, obtaining from the EA their assurance on their independence and confirmation of their continued registration with the Audit Oversight Board;
- To discuss with the EA before the audit commences, their audit plan, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved and to report the same to the Board;
- To review with the EA on their evaluation of the system of internal controls together with the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;
- To review the quarterly and year-end financial statements, focusing particularly on-
 - i. Any change in accounting policies and practices;
 - ii. Significant adjustments arising from the audit;
 - iii. Significant and unusual events;
 - iv. The going concern assumption; and
 - v. Compliance with accounting standards and other legal requirements.
- To discuss issues and reservations arising from the interim and final audits, and any matter the EA may wish to discuss (in the absence of management, where necessary);
- To review with the EA their management letter and management's response (if any), the EA's audit report and the audited financial statements before the same are presented to the Board for approval;
- To review and ensure that the system of internal controls is sound, adequate and in place, effectively administered and regularly monitored;
- To review the Group's management information systems including systems for compliance with applicable laws, directives and guidelines;
- To cause reviews to be made on the extent of compliance with established internal policies, standards, plans and procedures including the Code of Conduct & Ethics;
- To do the following, in relation to the internal audit function:-
 - i. To review the qualification, independence, reporting structure and performance of the IA;
 - ii. To review the adequacy of the scope, functions, competency, audit methodology employed and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - iii. To ensure that the goals and objectives of the internal audit function commensurate with the corporate goals of the Company;
 - iv. To review the internal audit programme and budget and be satisfied with their consistency with the Risk Management Framework used and results of the internal audit process and, where necessary, ensure that appropriate remedial actions are taken on the recommendations of the internal audit function and reporting the same to the Board;

- v. To review any appraisal or assessment of the performance of members of the internal audit function;
- vi. To approve the appointment or termination of senior staff members of the internal audit function; and
- vii. To take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

- To review any related party and conflict of interest transactions proposed to be entered into by the Group;
- To report its findings on the financial and management performance, and other material matters to the Board inclusive of resolving any disagreement between management and the EA regarding financial reporting;
- To monitor the process for dealing with complaints received by the Company regarding the Group's accounting issues, internal control matters or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- To consider the major findings of internal investigations and management's response;
- To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the bye-laws of ESOS of the Company (if any);
- To consider annually the Risk Management Framework adopted by the Group and to be satisfied that the methodology employed allows for the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner;
- To monitor the use of the EA in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their independence and objectivity as EA is not compromised. This would include the pre-approval for any such work inclusive of the hiring of employees or previous employees of the EA;
- To prepare the annual AC report to the Board for inclusion in the Annual Report;
- To review the Board's statement in compliance with the Malaysian Code on Corporate Governance for inclusion in the Annual Report;
- To consider other topics as defined by the Board; and
- To consider and examine such other matters as the AC considers appropriate; and
- To assess the suitability, objectivity & independence of the external auditor with the formalisation of Audit Independence Policy when deemed necessary.

5. AUTHORITY

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

- Have explicit authority to investigate any activity within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the AC;
- Have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the IA and EA and senior management of the Company and the Group;
- Obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- Have direct communication channels with the EA and person(s) carrying out the internal audit function or activity (if any); and

- 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 Listing Requirements, the AC shall promptly report such matter to Bursa Malaysia.

6. MEETINGS AND MINUTES

- The AC shall meet regularly and hold at least four (4) meetings in a year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.
- The Company Secretary shall be the Secretary of the Committee. The Secretary shall record, prepare and circulate the minutes of meetings of the AC and ensure that the minutes are properly kept and produced for inspection, if required.
- Upon the request of the EA, the Chairman of the AC shall convene a meeting of the AC to consider any matter the EA believes should be brought to the attention of the Director or shareholders. A majority of the members in attendance shall form a quorum.
- Notice of AC meetings shall be given to the AC members unless the AC waives such requirement.
- The Chairman of the AC shall engage on a continuous basis with senior management, such as the Chairman, the Executive Directors, the head of IA and the EA in order to be kept informed of matters affecting the Company.
- The Chairman, head of IA and a representative of the EA should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the AC. The AC shall be able to convene meetings with the EA, the IA or both, without executive Board members or employees present whenever deemed necessary.
- Questions arising at any meeting of the AC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the AC shall have a second or casting vote.
- Minutes of each meeting shall be kept at the registered office and distributed to each member of the AC and also to the other members of the Board. The AC Chairman shall report on each meeting to the Board.
- The minutes of the AC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

This Policy was updated and approved by the BOARD OF DIRECTORS OF HALEX HOLDINGS BERHAD on 21 May 2018.