

**THONG GUAN INDUSTRIES BHD.**  
**(Company No. 324203 - K)**  
**(Incorporated in Malaysia)**  
**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1) Composition**

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) Directors, of whom all must be Non-Executive Directors, with a majority of them being Independent Directors.

The Board shall at all time ensure that all members of the Committee are financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants (MIA);or
- if he is not a members of MIA, he must have at least three (3) years of working experience and he must have passed the examination specified in part I of the 1<sup>st</sup> Schedule of the Accountant Act 1967;or
- he must be a member of the association of accountants specified in part II of the Accountant Act 1967.
- fulfils such other requirements as prescribed or approved by the Bursa Securities.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board of Directors.

**2) Terms of Office**

In the event of any vacancy in the Committee resulting from resignation, death or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number or new members as may be required to make up the minimum number of three (3) members.

The Nominating Committee shall review the terms of office and performance of the Committee and each of its members at annually to determine whether such Committee and its members have carried out their duties in accordance with their Terms of Reference.

**3) Quorum and Committee's Procedures**

The Committee shall meet at least four (4) times in a financial year and such additional meeting as the Chairman shall decide in order to fulfil its duties. The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

The Company Secretary shall be the Secretary of the Committee. The Secretary, in cooperation with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant supporting papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board. The Committee may invite other Board members and senior management members to attend the meetings as and when deemed necessary.

The Company Secretary or her representative would be present at all the meetings. The Group's Internal Audit Manager, Senior Management and representatives of the external auditors would also attend the meetings, upon invitation.

The Chairman shall submit an annual report to the Board summarizing the Committee's activities and the related significant result and findings during the year. The Committee shall meet at least twice every year with the Head of Internal Audit Department and external auditors in separate sessions to discuss any matters without the presence of any executive member of the Board.

#### **4) Authority**

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it required from any employee and all employees are directed to cooperate with any request made by the Committee. The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

The Committee shall be able to convene meetings with the external auditors, shall have direct communication channels with the internal and external auditors, and with the management of the Group whenever deemed necessary.

#### **5) Responsibilities and Duties**

The Committee shall undertake and carry out the following responsibilities and duties:

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.

- TERMS OF REFERENCE OF AUDIT COMMITTEE

- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures.
- Review major audit findings and the Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restriction on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditor and their services, including non-audit services and their professional fees, to ensure a proper balance between objectivity and value for money.
- Review and recommend to the Board of Directors the Statement of Internal Controls in relation to internal controls and management of risk for inclusion in the annual report.
- Review the appointment and performance of external auditors, their audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditor's and/or external auditor's evaluation of the said system.
- Direct and where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defaults, frauds and thefts.
- Review the quarterly results and the year-end financial statements, prior to the approval by the Board focusing particularly on:
  - i) going concern assumption;
  - ii) any changes in or implementation of major accounting policies and practices;
  - iii) significant or unusual event;
  - iv) compliance with accounting standards and other legal requirements; and
  - v) Significant adjustment arising from the audit.
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;

- TERMS OF REFERENCE OF AUDIT COMMITTEE

- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities;
- Review any appraisal or assessment of the performance and any appointment or termination of members of the internal audit function;
- Review the financial reporting procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Main LR of Bursa Securities and other legislative and reporting requirement;
- Review the allocation of option granted pursuant to the Employee Share Option Scheme (ESOS) of the Company, if any;
- Any other activities, as authorized or instructed by the Board.