

KPS CONSORTIUM BERHAD
Registration No. 198501011364 (143816-V)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objective

The primary objective of the Audit Committee is to assist the Board of Directors of KPS Consortium Berhad (“KPSCB” or “Company”) in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Company and all its subsidiaries (“Group”) and to ensure the adequacy and effectiveness of the Group’s internal control measures.

Membership

- (a) The Audit Committee shall be appointed by the Board from amongst the directors of the Company and should consist of no fewer than three (3) members and must be all Non-Executive Directors of whom the majority must be independent directors.
- (b) No former audit partner of the Company’s external auditors shall be appointed to the Audit and Risk Committee unless he has observed a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.
- (c) At least one (1) member of the Audit Committee:-
 - Must be a member of the Malaysian Institute of Accountants; or
 - If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and;
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountant’s Act, 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountant’s Act, 1967; or
 - Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad:
 - a degree/masters/doctorate in accounting or finance and at least 3 years’ post qualification experience in accounting or finance*;
 - at least 7 years’ experience being a chief financial officer of a company or having the function of being primarily responsible for the management of the financial affairs of a company.
- (d) No alternate director shall be appointed to the Audit Committee.
- (e) The Chairman of the Audit Committee shall be Independent Non-Executive Director appointed by the Board.
- (f) The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually.
- (g) In the event of any vacancy in the Audit Committee resulting in the number of members is reduced to below 3, the vacancy must be filled within three (3) months.

** Persons who are members of professional accountancy organizations which have been admitted as full members of the International Federation of Accountants and who have at least 3 years’ post qualification experience in accounting or finance are deemed to fulfill the qualifications set out above.*

Functions

The functions of the Audit Committee are as follows:-

- (a) The Audit Committee shall review, appraise and report to the Board on:-
- the discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and to ensure co-ordination of audit where more than one audit firm is involved;
 - the review with the external auditors, his evaluation of the system of internal controls, his management letter and management's response;
 - the discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss;
 - the assistance given by the employees of the Group to the external and internal auditors; and
 - any related party transaction and conflict of interest situation that may arise within the Group or Company, including any transaction, procedure or course of conduct that raises questions of management integrity.
- (b) To review where appropriate whether there is a reason to believe that the Group's external auditors is not suitable for re-appointment;
- (c) To consider any question of resignation or dismissal of the external auditors;
- (d) To review quarterly reporting and year-end financial statements of the Group before submission to the Board, focusing particularly on:-
- changes in or implementation of major accounting policy;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (e) To review the following in respect of internal audit function:
- 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;
 - internal audit programmes;

Functions (Cont'd)

- 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 Department;
 - appraisal or assessments of the performance of the senior staff of the Internal Audit Department;
 - approval of any appointment or termination of senior staff member of the Internal Audit Department;
 - resignations of senior internal audit staff member and providing the resigning staff member an opportunity to submit his/her reason for resignation.
- (f) To consider the major findings of internal audit investigations and Management's response;
- (g) To recommend the nomination and appointment of external auditors as well as the audit fee;
- (h) To promptly report any matters resulting in breach of MMLR to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Malaysia; and
- (i) Any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

Procedures

The Audit Committee shall regulate its procedures as follows:-

- (a) The Audit Committee shall hold at least four (4) meetings in each financial year;
- (b) A member of the Audit Committee may at any time summon a meeting of the Audit Committee;
- (c) Notice calling for a meeting of the Audit Committee shall be given to its members at least five (5) days' before the meeting or at shorter notice as the Audit Committee members shall determine or agree;
- (d) The quorum necessary for the transaction of business at an Audit Committee meeting shall be two and the majority of members present must be independent directors;
- (e) Questions arising at any Audit Committee meeting shall be decided by the majority vote of its members present. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote; and
- (f) Minutes of each Audit Committee meeting shall be kept by the Company Secretary.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties. The Committee is also authorised by the Board to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary.

The Committee is also authorised to convene meetings with external auditors, the internal auditors or both, without other board members and employees present, whenever deemed necessary.

The Committee shall in accordance with the procedure determined by the Board and at the expense of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which the Committee needs to perform the duties;
- (c) have full access to any information which the Committee requires in the course of performing its duties;
- (d) have unrestricted access to all employees of the Group;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (f) be able to obtain outside legal or independent professional advice in the performance of its duties at the cost of the Company; and
- (g) be able to invite outsiders with relevant experience to attend its meetings, if necessary.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be:

- (a) To recommend the nomination of a person or persons as external auditors and review any letter of resignation from external auditors.
- (b) To review with the external auditors, the audit plan and the audit report;
- (c) To review with the external auditors, his evaluation of the system of internal controls;
- (d) To review the assistance given by the employees of the Company to the external auditor;
- (e) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (f) To review the internal audit programme, processes, the results of the internal audit programmed, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations or the internal audit function;

Duties and Responsibilities (Cont'd)

- (g) To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy charges;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements.
- (h) To review any related party transaction and conflict of interest situation that may arise within the listed company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) To review whether there is a reason (supported by grounds) to believe that the listed company's external auditor is not suitable for re-appointment; and
- (j) To assist the Board in fulfilling its responsibilities with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis.