

**JOHAN HOLDINGS BERHAD**  
(Company No. 314-K)

**TERMS OF REFERENCE FOR AUDIT COMMITTEE**

**Constitution**

- 1 The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (“AC”).

**Membership**

- 2 The AC shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three members who must be Non-Executive Directors and the majority of whom shall be Independent Directors.
- 3 At least one member of the AC:-
- (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience, and
    - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (b) he 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
  - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 4 No Alternate Director shall be appointed as a member of the AC.
- 5 The members of the AC shall select a Chairman from among their numbers who shall be an Independent Director.
- 6 If a member of the AC resigns, dies or for any other reason ceases to be a member resulting in the non-compliance of paragraphs 2, 3 and 5 above, the Board shall, within 3 months of that event, appoint such number of new members as may be required to fill the vacancy.
- 7 The term of office and performance of the AC and each of its members shall be reviewed by the Nominating Committee annually to determine whether such AC and members have carried out their duties in accordance with their terms of reference.

**Authority**

- 8 The AC is authorized by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the AC.
- 9 The AC is authorised 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 necessary.

## **JOHAN HOLDINGS BERHAD**

(Company No. 314-K)

- *Terms of Reference for Audit Committee*

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- 10 The AC shall have full and unlimited access to any information pertaining to the Group. The AC shall have direct communication channels with the internal and external auditors and with Senior Management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary. The AC shall have the resources that are required to perform its duties.

### **Functions**

- 11 The functions of the Committee shall be :-
- (a) to review the Group's quarterly results and year end financial statements, before the approval by the board of directors, focusing particularly on:
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions; and how these matters are addressed;
    - (iii) the going concern assumption;
    - (iv) significant adjustments arising from the audit; and
    - (v) compliance with accounting standards and other legal requirements.
  - (b) to review with the external auditors on the following and report the same to the Board of Directors:-
    - (i) the audit plan;
    - (ii) the audit report, findings and recommendations;
    - (iii) their evaluation of the system of internal controls; and
    - (iv) the assistance given by the company's officers to the auditor.
  - (c) to consider and review the appointment or re-appointment, performance of the external auditors, the audit fees and the letter of resignation (if any) from the external auditors or whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment, before making a recommendation to the Board.
  - (d) to review the non-audit services provided by the external auditors and/or its affiliated firms to the Company, including the nature of the non-audit services and fees of the non-audit services.
  - (e) to review with the Head of Internal Audit on the following and report the same to the Board:-
    - (i) effectiveness of the Group's internal control system;
    - (ii) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

## **JOHAN HOLDINGS BERHAD**

(Company No. 314-K)

- *Terms of Reference for Audit Committee*

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- (iii) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (f) to ensure the internal audit function is independent of the activities it audits and the Head of Internal Audit reports functionally to the AC and review their performance on an annual basis.
- (g) to review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (h) to review the findings of internal investigation arisen from the concerns reported under the Whistle Blowing procedures and based on the recommendation made, to decide on course of action to be taken.
- (i) to direct any special investigations on the Group's operations to be carried out by the Group Internal Audit Division or any other appropriate agencies.
- (j) to discuss problems and reservations arising out of external or internal audits and any matters which the auditors which to bring up in the absence of the Executive Directors and Management when necessary.

any other functions as may be agreed to by the AC and the Board.

### **Attendance at meetings**

- 12 At the invitation of the AC, the Director-Finance, the Senior Manager-Internal Audit and the representative(s) of the external auditors shall normally attend meetings. Other Board members may attend the meetings at the AC's invitation.
- 13 At least twice a year the AC shall meet with the external auditors without Executive Director and Management present.
- 14 The Senior Manager-Internal Audit shall be the Secretary of the Committee.

### **Meeting**

- 15 Meetings shall be held four (4) times a year or at such other time(s) as it deems necessary to fulfil the AC's responsibilities. The external auditors may request a meeting if they consider that one is necessary.
- 16 The Quorum for the AC shall consist of a majority of independent directors.

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- *Terms of Reference for Audit Committee*

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**Reporting Procedures**

- 17 The Secretary shall circulate the minutes of meetings of the committee to all its members.