

CB INDUSTRIAL PRODUCT HOLDING BERHAD
- Terms of Reference of Audit Committee

The terms of reference of the Audit Committee are as follows:

1. COMPOSITION

- The Audit Committee shall be appointed from amongst the Board and shall:
 - i) composed of not fewer than three (3) members who are Non-Executive Directors, with a majority of them being Independent Directors;
 - ii) have at least one (1) member:
 - (a) is a member of the Malaysian Institute of Accountants; or
 - (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' of working experience and;
 - (aa) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967 (Appendix A); or
 - (bb) he/she must be a member of one of the associations of accountants as specified in Part II of the 1st Schedule of the Accountants Act 1967 (Appendix B); or
 - (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities"); and
 - iii) not include any alternate director.

In the event of any vacancy resulting in the number of members is reduced to below three (3), the vacancy shall be filled within three (3) months. Therefore, a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

- The Board shall review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

2. CHAIRMAN

- The Chairman of the Audit Committee shall be appointed by the Board, or failing which, by the members of the Audit Committee themselves. The Chairman shall be an Independent Director. In the absence of the Chairman, the meeting shall be chaired by another member of the Audit Committee who is an Independent Director.
- The Chairman should engage on a continuous basis with senior management, such as the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

3. SECRETARY

- The Company Secretary or his/her nominee shall act as Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.
- The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Audit Committee at the Registered Office or such other place as may be determined by the Audit Committee.

4. MEETINGS

- The Audit Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be Independent.
- The Audit Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- All decisions at such meeting shall be decided on a show of hands on a majority of votes.
- The internal auditors and external auditors may attend at any meeting at the invitation of the Audit Committee and shall appear before the Committee when required to do so by the Committee.
- The Chairman shall upon request of the external auditors, convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

5. AUTHORITY

The Audit Committee shall:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the group;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) have the right to obtain independent professional or other advice at the expense of the Company, with prior consent of the Managing Director to approve the budget;
- f) have the right to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;
- g) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the Listing Requirements;
- h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise;

- i) meet as and when required on a reasonable notice; and
- j) the Chairman shall call for a meeting upon the request of the internal and external auditors.

6. DUTIES

Risk Management and Internal Control

- i. To review the adequacy and effectiveness of the Company's risk management process and recommend such measures to the Board.
- ii. To evaluate the quality and effectiveness of the Company's internal control system and management information system, including compliance with the applicable rules and regulations.
- iii. To recommend to the Board the Director's Statement on Risk Management and Internal Control and any changes to the said statement.

Financial Reporting

- i. To review the quarterly results and annual financial statements before recommending to the Board for approval and release to Bursa Securities, focusing particularly on:
 - any changes in or implementation of accounting policies and practices;
 - significant or material adjustments with financial impact arising from the audit;
 - significant unusual events or exceptional activities;
 - financial decision-making with the presumptions of significant judgments;
 - the going concern assumptions;
 - the appropriateness of management's selection of accounting policies and disclosures in compliance with approved accounting standards and other regulatory requirements; and
 - compliance with applicable financial reporting standards.
- ii. To propose best practices on disclosure in the financial statements and the annual reports of the Company, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.

External Audit

- i. To recommend the appointment or re-appointment of the external auditors and audit fee to the Board, after reviewing the suitability, resources, competency and independence of the external auditors.
- ii. To make appropriate recommendations to the Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.
- iii. To review with the external auditors on:
 - the audit plan, its scope and nature;
 - the audit report;
 - the evaluation of system of internal control;
 - the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and

- the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

Internal Audit

- i. To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.
- ii. To review the risk-based internal audit plans and programmes.
- iii. To ensure co-ordination between the internal and the external auditors.
- iv. To review the major findings reported by the internal auditors and follow up on management's implementation of the recommended actions.
- v. To annually assess the performance of services provided by the internal auditors.

Related Party Transactions

- i. To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public;
- ii. To ensure that the Directors report such transactions annually to shareholders via the annual report; and
- iii. To review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Other Matters

- i. To report to Bursa Securities, if the Audit Committee views that a matter resulting in a breach of the Listing Requirements of Bursa Securities reported by the Audit Committee to the Board has not been satisfactorily resolved by the Board.
- ii. To highlight such matters as the Audit Committee considers appropriate or as defined by the Board from time to time.