

**KUCHAI DEVELOPMENT BERHAD**  
**Registration No. 196701000629 (7573-V)**  
**(Incorporated In Malaysia)**

**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

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**1. OBJECTIVES**

The Audit Committee (“Committee”) is established as a committee of the Board with the primary objective of assisting the Board: -

- (a) To discharge its statutory and fiduciary responsibilities of overseeing the financial risk process and accounting and financial reporting practices of the Company.
- (b) To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
- (c) To act upon the Board’s request to investigate and report on any issue of concern with regard to the management of the Company.
- (d) To ensure compliance with any such changes/amendments/updates/insertions of the listing requirements and any other applicable laws and regulations, arising thereof from time to time.
- (e) To ensure adequacy and effectiveness of the Company’s system of internal controls and the quality of performance in carrying out their assigned responsibilities.

**2. SIZE AND COMPOSITION**

The Committee shall consist of not less than three (3) members with exclusively Non-Executive Director and majority of them being Independent Non-Executive Directors.

At least one of the members of the Committee must fulfil the following requirements: -

- i. must be a member of the Malaysian Institute of Accountants (MIA); or
- ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or

- ii. 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. fulfil such other requirements as prescribed or approved by the Exchange - Bursa Malaysia Securities Berhad ("Bursa Securities").

No alternate director shall be appointed as a member of the Audit Committee.

A former key audit partner has to observe a cooling off period of at least three (3) years before being appointed as a member of Audit Committee.

In the event of any vacancy in the Committee resulting in the number of members being reduced to below three (3), the Board of Directors must fulfill the vacancy within three (3) months.

### **3. QUORUM**

The quorum for meetings of the Committee shall be two (2) members and the majority of members present must be Independent Directors. If only two (2) members present both of them must be Independent Directors.

### **4. CHAIRMAN OF THE COMMITTEE**

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director. In the absence of the Chairman of the Committee, members present shall elect a Chairman for the meeting from among its members who is an Independent Director.

### **5. FREQUENCY OF MEETINGS**

The Committee shall meet not less than four (4) times a year although additional meetings may be called at any time, as the Committee deems necessary. The Committee meetings shall be planned to coincide with the audit cycle and the timing of publication of financial statements.

In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee. Upon the request of the auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the auditors believe should be brought to the attention of the Directors or shareholders.

## **6. SECRETARY OF THE COMMITTEE**

The Company Secretary shall be the Secretary of the Committee. The Secretary is responsible for sending out notices and preparing and keeping the minutes of meetings.

## **7. NOTICE AND AGENDA OF MEETING**

Meeting may be scheduled by the Committee or the Chairman. Meeting agenda shall be the responsibility of the Chairman with input from the Committee members. The Chairman may ask the Management to participate in this process.

The notice and agenda of meeting shall be circulated within reasonable time before each meeting to the Committee members and all those who are required to attend the meeting. Written materials including information requested by the Committee from the Management or external consultants shall be received together with the agenda of the meeting.

## **8. ATTENDANCE BY INVITATION**

The Committee may require the members of management, the representatives of the Internal Auditors, representatives of the External Auditors, and any other Board members to attend any of its meetings if deem necessary.

## **9. DECISION**

Question arising at any meeting shall be decided upon by a majority of votes, each member having one (1) vote. In the event of equality of votes, the Chairman of the Committee shall have a casting vote (except where only two directors were present for the meeting).

## **10. RESOLUTION IN WRITING**

A resolution in writing signed and approved by majority of the Committee and who are sufficient to form a quorum shall be as valid and effective as if it has been passed at a meeting of the Committee duly called and constituted.

## **11. MINUTES OF MEETINGS**

The Minutes shall be signed by the Chairman of the Meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. The minutes shall be circulated to all members of the Committee.

## **12. MEETING VIA TELECOMMUNICATION DEVICE**

- (1) A member shall be deemed to be present at a meeting of the Committee if he participates by instantaneous telecommunication device and all members of the Committee are able to hear each other and to be heard, and for this purpose, participation constitutes prima facie proof of recognition. For the purposes of recording attendance, the Chairman or Secretary of the Committee shall mark on the attendance sheet that the member was present and participating by instantaneous telecommunication device.
- (2) A member may not leave the meeting by disconnecting his instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the meeting to leave the meeting. A member will be conclusively presumed to have been present and to have formed part of the quorum at all times during the committee meeting by instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the meeting to leave the meeting.
- (3) If a member is accidentally disconnected from the instantaneous telecommunication device and causes the absence of the required quorum of the meeting, no decisions should be in respect of matters by members during the disconnection and if the instantaneous telecommunication device cannot be re-connected at all, the meeting shall then be adjourned.
- (4) Minutes of the proceedings at a Committee meeting by instantaneous telecommunication device will be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as correct minutes by the Chairman of the meeting.

## **13. REPORTING TO THE BOARD**

The Committee, through its Chairman, shall report to the Board at the next Board of Directors' Meeting after each Committee meeting.

## **14. INFORMATION FOR DISCLOSURE IN THE ANNUAL REPORT**

The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance with the Principles of the Malaysian Code on Corporate Governance and Bursa Listing Requirements.

## **15. AUTHORITY**

The Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company: -

1. Have authority to investigate any matters within its terms of reference, where it deems necessary,
2. Have resources which are required to perform its duties;
3. Have full and unrestricted access to any information pertaining to the Company;
4. (i) have direct communication channels with the external auditors;  
  
(ii) have direct authority over the internal audit function of which is independent from management and operations;
5. Be able to obtain and seek independent professional or other advice and to request the attendance of external parties with relevant experience and expertise if it considers necessary;
6. Be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Company; and
7. have authority to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.

## **16. FUNCTIONS AND DUTIES**

The functions and duties of the Committee are as follows: -

- a) To review the following and report the same to the Board of Directors: -
  - i. with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the regulatory authorities;
  - ii. with the external auditors, their evaluation of the quality and effectiveness of the entire accounting system, the adequacy and the integrity of the internal control system and the efficiency of the Company's operations and efforts and processes taken to reduce the Company's operational risks;
  - iii. with the external auditors, their audit report;

- iv. the assistance given by the Company's officers to the external auditors;
  - v. assess and monitor the performance, suitability, objectivity and independence of the external auditor annually by taking into consideration the competence, audit quality and resource capacity of the external auditor in relation to the audit, the nature and extent of the non-audit services rendered and appropriateness of the level of fees;
  - vi. review the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its work including inter-alia the appointment of the internal auditors;
  - vii. review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit process;
  - viii. review the quarterly results and the 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 management, significant and unusual events or transactions, and how these matters are addressed;
    - iii. the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Economic Entity; and
    - iv. compliance with accounting standards and other legal requirements.
  - ix. any related party and inter-company transactions and conflict of interest situation that may arise within the Company including any transactions, procedure or course of conduct that raises questions of management integrity;
  - x. any letter of resignation from the external auditors of the Company;
  - xi. whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
  - xii. any significant audit findings, reservation, difficulties encountered, or material weaknesses reported by the external and internal auditors.
- b) To consider and recommend the nomination of a person or persons as external auditors or internal auditors; the fee and inquiry into the staffing and competence of the internal and external auditors in performing their work;

- c) To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss in the absence of management where necessary;
- d) To consider major findings of internal audit investigations and management's response and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- e) To promptly report to Bursa Malaysia on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach in the Bursa Malaysia's Listing Requirements;
- f) To carry out 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 Company's duties and responsibilities; and
- g) To verify the criteria for allocation of options pursuant to a share scheme for employee.
- h) The auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
- i) The Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of the minutes and inspection of such minutes.

## **17. REVIEW**

The Terms of Reference shall be reviewed from time to time to ensure that it reflects current best practice in corporate governance and risk management. Board's approval is required for any changes in the Terms of Reference.

This Terms of Reference was approved by the Board of Directors on 27 August 2021.