

PUNCAK NIAGA HOLDINGS BERHAD

[199701000591 (416087-U)]

AUDIT COMMITTEE

TERMS OF REFERENCE

A. ESTABLISHMENT

The Audit Committee is a Committee of the Board of Directors (Board) of Puncak Niaga Holdings Berhad (PNHB or the Company).

B. OBJECTIVES

The primary objective of the PNHB Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to financial reporting, system of internal controls and risk management processes as set out in Section D: Duties and Responsibilities herein.

C. COMPOSITION

C.1 The Audit Committee shall be appointed by the Board from amongst its Directors and shall comprise no less than three (3) members, all of whom shall be Independent Non-Executive Directors of the Company. No Alternate Director shall be appointed as a member of the Audit Committee.

C.2 At least one (1) member of the Audit Committee:

- (a) Must be a member of the Malaysian Institute of Accountants;
- (b) 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 Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (c) Fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

- C.3 The members of the Audit Committee shall elect a Chairman from amongst themselves as Chairman of the Audit Committee. The Chairman of the Audit Committee shall not be the Chairman of the Board.
- C.4 No former key audit partner of PNHB shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least three (3) years.
- C.5 Members of the Audit Committee shall possess sound judgment, objectivity, management experience and knowledge of the various business segments of the Group. All members of the Audit Committee should be financially literate.
- C.6 All members of the Audit Committee, including the Chairman, shall hold office only for as long as they remain as Directors of the Company.
- C.7 In the event that the members of the Audit Committee shall for any reason be reduced to below three (3), PNHB Board shall, upon the recommendation of the PNHB Nomination Committee, within three (3) months of such event, appoint such number of new members to the Audit Committee as may be required to make up the minimum number of three (3) members.
- C.8 In the event that for any reason that the position of the Chairman of the Audit Committee is vacant, the members shall elect the Chairman within three (3) months of such event.
- C.9 The Chairman of the Audit Committee shall provide meaningful responses to questions addressed to him on matters relating to the Audit Committee, if any, at the Company's General Meetings.

D. DUTIES AND RESPONSIBILITIES

In fulfilling its objectives, the Audit Committee shall undertake the following duties and responsibilities:

D.1 External Auditors

The Audit Committee in overseeing all matters relating to the External Auditors shall:

- D.1.1 Consider and recommend to the PNHB Board, the appointment (and the re-appointment) of a suitable accounting firm to act as External Auditors including the audit fee payable thereof and amongst the factors to be considered for the appointment are the competence, audit quality, independence, qualifications, adequacy of experience and resources capacity of the firm and the partners and resources assigned to the audit.
- D.1.2 Review any letter of resignation from the External Auditors and report to the PNHB Board.
- D.1.3 Before the commencement of audit, review the Annual Audit Plan and discuss the nature, approach and scope of audit and ensure coordination where more than one audit firm is involved.
- D.1.4 Review the evaluation of the system of internal controls with the External Auditors.
- D.1.5 Review the External Auditors' Audit Report and Management Letter and discuss any problems and reservations arising from the interim and final audits.
- D.1.6 Review the assistance and cooperation given by PNHB Group's officers to the External Auditors.

- D.1.7 Monitor the nature and extent of non-audit services rendered by the External Auditors and its affiliates and the appropriateness of the level of fees paid for such services to ensure that the independence of the External Auditors is not impaired by the provision of non-audit services to PNHB Group and to ensure that the audit firm does not inadvertently assume the responsibilities of the Management of the Company in the course of providing the non-audit services to PNHB Group.
- D.1.8 Obtain a written assurance from the External Auditors confirming their independence throughout their term of engagement and for the said financial year in accordance with the terms of the relevant professional and regulatory requirements.
- D.1.9 The External Auditors shall have the right to appear and be heard at any meetings of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.
- D.1.10 Upon the request of the External Auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the External Auditors believe should be brought to the attention of the Audit Committee.
- D.1.11 The Audit Committee shall convene meetings with the External Auditors without the presence of the Managing Director, Executive Directors, Management and employees of PNHB Group, twice yearly or at more frequent intervals, if deemed necessary.
- D.1.12 The Audit Committee, with the assistance of the Finance Division of the Company, shall conduct the annual assessment on the suitability, objectivity and independence of the External Auditors of the Company.

D.2 Internal Auditors

The Audit Committee in overseeing the Internal Audit Department shall:

- D.2.1 Review the annual internal audit plan, scope and objectives, resources, qualifications, independence, reporting structure and performance of internal audit.
- D.2.2 Monitor the implementation of the annual internal audit plan and, where necessary, ensure:
 - i. That appropriate action is taken on the recommendations of the Internal Audit Department including appropriate remedial measures on any areas of weaknesses or deficiencies in the internal processes of the Company.
 - ii. That the scope, functions, competency and resources of the Internal Audit Department are adequate and that it has the necessary authority to discharge its functions effectively.
 - iii. That the personnel assigned to undertake the internal audit functions have the necessary competency, experience and resources to carry out the functions effectively and continuously keep abreast with developments in the profession, relevant industry and regulations to ensure that they are able to perform their role effectively including undertaking root-cause analysis to provide strategic advice and propose meaningful business improvements.
- D.2.3 Review any appraisal or assessment of the performance of the staff of the Internal Audit Department.
- D.2.4 Approve any appointment or termination of the Head of Internal Audit Department.
- D.2.5 Take cognisance of resignations of the Head of Internal Audit Department and staff members of the Internal Audit Department and their reasons for resigning as stated in the Exit Interview Form(s).

- D.2.6 The Internal Auditors shall have the right to appear and be heard at any meetings of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.
- D.2.7 Upon the request of the Internal Auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters that the Internal Auditors believe should be brought to the attention of the Audit Committee.
- D.2.8 The Audit Committee may convene meetings with the Internal Auditors without the presence of the Managing Director, Executive Directors, Management and employees of the PNHB Group, whenever deemed necessary.
- D.2.9 The Internal Audit Department reports directly to the Audit Committee and shall exercise independence, impartiality, proficiency and due professional care in the conduct of its audits on the activities of PNHB Group.
- D.2.10 In carrying out its functions to evaluate and improve the Company's risk management, internal controls, anti-corruption, whistleblowing and governance processes, the Internal Audit Department will advise the Audit Committee and the Board on areas of weaknesses or improvements required in internal processes.

D.3 Financial Reporting and Processes

The Audit Committee in overseeing all matters relating to the financial reporting and processes of PNHB Group shall:

- D.3.1 Provide assurance to the Board on the quality and reliability of the financial information used by the Board and the financial information issued publicly by PNHB Group.
- D.3.2 Assess whether the financial report presents a true and fair view of the PNHB Group's financial position and performance and complies with the regulatory requirements.

- D.3.3 Review the quarterly results and year end audited financial statements of PNHB Group prior to approval by the Board, 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 being addressed;
 - iii. nature of any unusual or significant commitments or contingent liabilities;
 - iv. the going concern assumption; and
 - v. compliance with accounting standards and other legal requirements.
- D.3.4 Review the nature of 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 questions of the Management's integrity.
- D.3.5 Review the adequacy and effectiveness of PNHB Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and system of internal controls as well as the financial reporting standards of PNHB Group.

D.4 Other Matters

Carry out any other matters or functions as agreed by the Audit Committee and the Board.

E. AUTHORITY OF THE AUDIT COMMITTEE

In carrying out its duties and responsibilities, the Audit Committee shall have the following powers and authority, in accordance with the procedures to be determined by the Board and at the expense of the Company:

- i. Have the authority to investigate any matter within its Terms of Reference;
- ii. Have the resources which are required to perform its duties;
- iii. Have full and unrestricted access to any information pertaining to PNHB Group;
- iv. Have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function or activity;
- v. Be able to obtain independent professional or other expert advice; and
- vi. Be able to convene meetings with the External Auditors and the person(s) carrying out the Internal Audit function or activity, or both, without the presence of the Managing Director, Executive Directors, Management and employees of PNHB Group, whenever deemed necessary.

F. REPORTING BREACHES TO THE EXCHANGE

When the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee shall promptly report such matter to the Exchange.

G. MEETING GUIDELINES OF PNHB AUDIT COMMITTEE

G.1 QUORUM

The recommended quorum for each meeting shall be three (3) members.

G.2 MEETINGS

- i. The Audit Committee shall meet at least four (4) times a year, although additional meetings may be called at any time at the Chairman's discretion.
- ii. The Notice and Agenda for each Audit Committee Meeting with due notice of the issues to be discussed shall be sent to all members of the Audit Committee and any other person(s) who may be required to attend the meeting of the Audit Committee.
- iii. In addition to the Audit Committee members, the Chief Financial Officer and the Head of Internal Audit Department will normally be in attendance at the meetings of the Audit Committee. Representatives of the External Auditors are to be in attendance at meetings of the Audit Committee where matters relating to the audit of the statutory accounts and/or the External Auditors are to be discussed. The Managing Director, Executive Directors and/or other appropriate officers may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.
- iv. Each member of the Audit Committee shall be entitled to one (1) vote on all matters deliberated at the meetings of the Audit Committee. In the case of an equality of votes, the Chairman of the Audit Committee shall be entitled to a second or casting vote.
- v. A circular resolution in writing signed by all members of the Audit Committee shall be valid and effective as if the same has been passed at the meeting of the Audit Committee.
- vi. The Audit Committee shall meet with the External Auditors without the presence of the Managing Director, Executive Directors, Management and employees of PNHB Group at least twice a year.

G.3 SECRETARIES OF THE AUDIT COMMITTEE

- G.3.1 The Secretary(s) to the Audit Committee shall be the Company Secretary(s).
- G.3.2 The Secretary(s) shall prepare an Agenda for each Audit Committee meeting and the Agenda shall be sent to all members of the Audit Committee and any other person(s) who may be required to attend the meeting of the Audit Committee.
- G.3.3 The Secretary(s) shall ensure the Audit Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues to be deliberated at the meetings of the Audit Committee.
- G.3.4 The Secretary(s) shall prepare the Minutes of the meetings of the Audit Committee and distribute it to each member of the Audit Committee and the Board.
- G.3.5 The Secretary(s) shall ensure that the Minutes of the meetings of the Audit Committee are properly kept and produced for inspection, if required.

H. AUDIT COMMITTEE REPORT

The Audit Committee is required to prepare an Audit Committee Report at the end of each financial year to be included and published in PNHB's Annual Report which shall include the following:

- i. The composition of the Audit Committee including the name, designation (indicating the Chairman) and directorship of the members;
- ii. The number of the meetings of the Audit Committee held during the financial year and the details of attendance of each member of the Audit Committee;
- iii. A summary of the activities of the Audit Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities;

- iv. The existence of an Internal Audit Function or activity within PNHB Group and a summary of the activities of the Internal Audit function;
- v. Assessing the suitability, objectivity and independence of the External Auditors; and
- vi. The amount of audit fees and the amount of non-audit fees incurred by the Company and PNHB Group, as well as the details on the nature and extent of the non-audit services rendered by the External Auditors and the appropriateness of the level of fees.

I. REVIEW AND EVALUATION OF THE AUDIT COMMITTEE

The Nomination Committee shall review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of the Audit Committee.