

GADANG HOLDINGS BERHAD (278114-K)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

The Audit Committee shall be appointed by the Board of Directors from amongst the directors and shall compose of not fewer than three (3) members. All the Audit Committee members should be non-executive directors, with a majority of them being independent directors; and at least one (1) member of the Audit Committee shall be:

- (i) a member of the Malaysian Institute of Accountants (“MIA”);
- (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years’ working experience and:
 - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he/she 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
- (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

No alternate director shall be appointed as a member of the Audit Committee. If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

2. Chairman

The Chairman of the Audit Committee shall be an Independent, Non-Executive Director appointed by the Board.

3. Secretary

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee members and to the other members of the Board.

4. Meetings

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the audit committee if a request is made by any committee member, the Company's chief executive, or the internal or external auditors.

Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, at least twice a year, the Committee shall meet with the external auditors without any executive Board member present.

A quorum shall consist of two (2) members and the majority of members present must be independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the independent members present.

5. Authority

The Audit Committee is authorised by the Board to:-

- investigate any activity within its terms of reference ;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the internal and external auditors and with senior management of the Group;
- be able to obtain external legal or other independent professional advice as necessary;
- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of executive Board members and employees, whenever deemed necessary.

6. Duties

The duties of the Committee shall include:-

- a. To review the annual performance assessment, including the suitability and independence of the external auditors in accordance with the External Auditors Policy.
- b. To review and recommend the appointment of external auditors, the audit fee and any question of resignation or dismissal;
- c. To discuss with the external auditors prior to the commencement of audit, their audit plan, which shall state the nature and scope of audit, and to ensure co-ordination of audit where more than one audit firm is involved;
- d. To review the quarterly results and annual financial statements before submission to the Board, focusing on:
 - any changes in or implementation of major accounting policies and practices;

- significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; -
 - significant adjustments arising from the audit;
 - going concern assumption; and
 - compliance with applicable approved accounting standards and regulatory requirements;
- e. To review the external auditors' evaluation of the Group's system of internal controls;
- f. To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary);
- g. To review the external auditors' management letter to the Audit Committee and management's response;
- h. To review the assistance given by the employees of the Group to the external auditors;
- i. To do the following in relation to the internal audit function:-
- review the adequacy of scope, function, competency and resources of the internal audit department and that it has the necessary authority to carry out its work;
 - review internal audit programme;
 - ensure co-ordination of external audit with internal audit;
 - consider the 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;
 - review any appraisal or assessment of the performance of the staff of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;
 - be informed of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation;
- g. To review any related party transactions and conflict of interest situation that may arise within the Company and the Group, including any transaction, procedure or course of conduct that raises questions on management integrity; and
- h. Any other activities, as authorized by the Board.