

AUDIT COMMITTEE
Terms of Reference

Objective

The primary objective of the Audit Committee is to assist the Board of Harn Len in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls, management and financial reporting practices of the Company.

Composition of Members

The Committee shall consist of at least three members but not more than five members, appointed by the Board from amongst the directors. All the audit committee members must be non-executive directors with a majority of them being independent directors. The Chairman of the Audit Committee shall be appointed by the Members from amongst the independent non-executive Directors.

At least one of the members of the Committee:

- (i) must be a member of the Malaysian Institute of Accountants (MIA); or
- (ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:
 - a) he must have passed the examinations specified in Part 1 of the 1st 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 1st Schedule of the Accountants Act 1967; or
- (iii) he must fulfill such other requirements as prescribed or approved by the Exchange.

Alternate directors shall not be eligible for appointment as a member of the Committee.

Where the membership of the Committee falls below three (3) due to retirement or resignation or any other reason, the vacancy must be filled within two (2) months, but in any case not later than three (3) months.

Duties and Responsibilities

1. To review with the external auditors the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements.
2. To review the quarterly and annual financial statements with management and/or external auditors prior to the approval by the board.

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3. For the internal audit function, to:-

- consider and recommend the appointment or termination of the internal auditors, the fee and inquire into the staffing and competence of the internal auditors in performing their work (if the internal audit function is outsourced);
- Review the adequacy of the competency of the internal audit function including the scope and resources and ensuring that the internal auditors have the necessary authority to carry out their work;
- Review internal audit program;
- Ensure co-ordination of external audit with internal audit;
- 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;

If the internal audit function is performed in-house, to

- Review any appraisal or assessment of the performance of the staff of the internal audit function;
- Approve any appointment or termination of senior staff member of the internal audit function;
- Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason of resignation;

4. To carry out in-depth review of major findings of internal investigations by both the Internal Auditors and External Auditors and thereafter to ensure Management respond to recommended corrective measures.

5. To consider compliance of statutory legislations or guidelines as imposed by the relevant authorities which will include, but not limited to :

- The Securities Commission
- Bursa Malaysia Securities Berhad
- The Companies Commission of Malaysia

6. To review and report any related party transactions that may arise within the Company.

7. To review all significant transactions whether they are in the normal course of business or otherwise.

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- 8.(i) To consider and recommend the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal, and inquire into the staffing and competence of the external auditors in performing their work and assistance given by the Company's officers to the external auditors.
- (ii) Where the external auditors are removed from office or give notice to the Company of their desire to resign as external auditors, the Committee shall ensure that the Company immediately notify Bursa Malaysia Securities Bhd ("the Exchange") and forward to the Exchange a copy of any written representations or written explanations of the resignation made by the external auditors at the same time as copies of such representations or explanations are submitted to the Registrar of Companies pursuant to section 172A of the Companies Act 1965.
9. To review and report on areas of conflict of interest.
10. To consider other topics, as may be defined and directed by the Board from time to time.

Meetings

The Committee shall meet not less than four times a year and as many times as the Committee deems necessary. The quorum for meetings shall be two members who are independent non-executive directors. If the number of members present for the meeting is more than two, the majority of members present must be Independent Directors.

The Secretary to the Audit Committee shall be the Company Secretary or her representative.

The Chief Financial Officer, Group Accountant and Chief of Finance/Accounts Departments/Internal Audit, and representatives of the external auditors shall normally attend meetings. Other Board members may attend meetings upon invitation of the Committee. The presence of the external auditors will be by invitation as and when required.

Minutes of each meeting shall be kept by the Secretary as evidence that the Committee has discharged its functions. The Chairman of the Committee will report to the Board after each Audit Committee meeting. The approved minutes of Audit Committee meetings will be forwarded to Board members for information.

A resolution in writing signed or approved by all the Committee shall be as valid and effectual as if it had been passed at a Meeting of the Committee duly called and constituted.

Meeting via Telecommunication Device

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 recognise each other's voice, 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.

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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 and 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.

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.

Authority

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

1. have explicit authority to investigate any matters of the Company and its subsidiaries, within its terms of reference, where it deems necessary, investigate any matter referred to it or that it has come across in respect of a transaction that raises questions of management integrity, possible conflict of interest, or abuse by a significant or controlling shareholder;
2. have resources which are required to perform its duties;
3. have full and unrestricted access to the Executive Chairman and Chief Financial Officer and to any information pertaining to the Company which it requires in the course of performing its duties;
4. have direct communication channels with the external auditors;
5. have direct authority over the internal audit function of which is independent from management and operations;
6. be able to obtain and seek outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
7. 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.

Others

The Audit Committee Members shall meet with the External Auditors without the presence of the Management at least once a year.

HARN LEN CORPORATION BHD(502606-H)
Incorporated in Malaysia

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