

# **HARN LEN CORPORATION BHD**

**Incorporated in Malaysia**

**200001000001 (502606-H)**

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **1. OBJECTIVE**

The primary objective of the Audit Committee (AC) 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.

### **2. COMPOSITION**

- (a) The AC 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 should comprise solely of Independent Directors. The Chairman of the AC shall be appointed by the Members from amongst the Independent Non-Executive Directors.
- (b) Collectively, the AC should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent, and are able to understand matters under the purview of the AC, including the financial reporting process.

At least one of the members of the AC:

- (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 Bursa Malaysia Securities Berhad (Bursa).

All AC members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices, and rules.

- (c) Alternate Directors shall not be eligible for appointment as a member of the AC.
- (d) Where the membership of the AC 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

- (e) No former partner of the Company's external auditor firm (including all former partners of the audit firm and its affiliate firms) shall be appointed a member of the AC unless he has observed a cooling-off period of at least three years before being appointed as a member of the Committee.

### **3. DUTIES AND RESPONSIBILITIES**

It is the responsibility of the AC

- (a) to review with the external auditors the scope of their audit plan, their evaluation of the system of internal control and the audit reports of the financial statements.
- (b) to review the quarterly and annual financial statements with management and/or external auditors prior to the approval by the Board, focusing particularly on :
  - (i) the going concern assumption;
  - (ii) any changes in or implementation of major accounting policies and practices;
  - (iii) significant issues arising from the audit including financial reporting issues; significant and unusual events or transactions, and how these matters are addressed; and
  - (iv) compliance with accounting standards, regulatory and other legal requirements
- (c)
  - (i) to consider and recommend the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal, and inquire/assess the adequacy of resources, competence, the objectivity and independence 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 and forward to the Bursa 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 277 of the Companies Act 2016.
- (d) to review the Audit Committee Report and the Statement of Risk Management and Internal Control.

# **HARN LEN CORPORATION BHD**

**Incorporated in Malaysia**

**200001000001 (502606-H)**

- (e) to do the following in respect of the internal audit function:
  - (i) appoint or terminate the Head of internal audit function or internal audit service provider in the case of outsourced internal audit, determine the fee, and inquire into the staffing and competence of the internal auditors in performing their work;
  - (ii) 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 and are independent of management and operations;
  - (iii) review and approve internal audit program/plan;
  - (iv) ensure co-ordination of external audit with internal audit;
  - (v) 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,

- (i) review any appraisal or assessment of the performance of the staff of the internal audit function;
  - (ii) approve any appointment or termination of senior staff member of the internal audit function;
  - (iii) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason of resignation;
- (f) 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
  - (g) to ensure compliance with any changes / amendments / updates / insertions of the Listing Requirements and any other applicable laws and regulations, arising thereof from time to time
  - (h) to review/monitor and report any related party transactions and conflict of interest situations that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity.

# **HARN LEN CORPORATION BHD**

**Incorporated in Malaysia**

**200001000001 (502606-H)**

- (i) to review all significant transactions whether they are in the normal course of business or otherwise.
- (j) to verify allocation of Employee Share Scheme (ESS) Shares to Participants, to ensure compliance with the criteria referred to in By-Law 5.2.  
  
(Participants are selected persons who have duly accepted the offer in accordance with the By-Laws)
- (k) to review the reports of the Risk Management Committee in relation to the adequacy and integrity of the Group's internal control system.
- (l) to meet and discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors and/or internal auditors may wish to discuss without the presence of Management, where necessary
- (m) to consider other matters, as may be directed by the Board from time to time.

## **4. RULES AND PROCEDURES AT MEETINGS**

### **(a) Frequency and Attendees of Meetings**

The Committee shall meet not less than four times a year and as many times as the Committee deems necessary.

The Committee Members shall meet with the External Auditors without the presence of Management at least twice (2) a year

The Chief Financial Officer and Financial Controller and representatives of the external auditors and internal auditors shall normally attend meetings.

The AC may invite any other Directors or employees within the Company to attend any of its meetings. The AC is also authorised to obtain external professional advice and if required, to invite outsiders with the relevant experience and expertise to attend the meeting to assist the AC in its deliberations.

### **(b) Chairman of the Meeting**

The Chairman of the Meeting must be the Senior Independent Non-Executive Director. In the absence of the Chairman, the members present shall elect one of their members to chair the meeting.

The Chairman of the Audit Committee shall be appointed by the Members from amongst the Independent Non-Executive Directors and shall not be the Chairman of the Board.

# **HARN LEN CORPORATION BHD**

**Incorporated in Malaysia**

**200001000001 (502606-H)**

(c) Notice and Agenda of Meeting

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

Unless all agreed, the notice and agenda of meeting shall be circulated at least five (5) business days before each meeting to the Committee members and all those who are required to attend the meeting. Notice of meeting together with written materials for the meeting may be circulated via any appropriate form of technology. Written materials including information requested by the AC from the Management or external consultants shall be received together with the agenda for the meeting.

(d) Quorum for the Meeting

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

(e) Meeting via Telecommunication Device / Circular Resolutions

The Committee may hold its meeting within Malaysia or overseas using any technology that gives each committee member a reasonable opportunity to participate.

The technology to be used for virtual meeting must be such that each committee member taking part in the meeting must be able to communicate simultaneously with each of the other members taking part in the meeting and may include telephone, television, video conferencing, or any other audio and/or visual device which permits instantaneous communication.

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.

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 including virtual meetings 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 or the next succeeding meeting.

# **HARN LEN CORPORATION BHD**

**Incorporated in Malaysia**

**200001000001 (502606-H)**

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

(f) **Decision**

Questions arising at any meeting shall be decided upon by a majority vote, each member having one (1) vote. In the event of equality of votes, the Chairman of the AC shall have a casting vote

(g) **Secretary of the Meeting**

The Company Secretary or her representative(s) shall be the Secretary of the Committee at all meetings and shall be entrusted to record all proceedings and minutes of the Committee's meetings. 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 AC and of the Board.

(h) **Reporting to the Board**

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

The AC 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 & Recommendations of the Malaysian Code on Corporate Governance 2021 and the Listing Requirements of Bursa Malaysia Securities Berhad - Appendix 9C Part A.

## **5. Authority**

- (a) The AC should be entitled to the services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements or other regulatory requirements.
- (b) The AC shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:-
  - (i) 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;

## **HARN LEN CORPORATION BHD**

**Incorporated in Malaysia**

**200001000001 (502606-H)**

- (ii) have resources which are required to perform its duties;
- (iii) have full and unrestricted access to the Deputy Executive Chairman, Managing Director and Deputy Managing Director and Chief Financial Officer and to any information pertaining to the Company which it requires in the course of performing its duties;
- (iv) have direct communication channels with the external auditors;
- (v) have direct authority over the internal audit function, including appointment and termination and determining internal audit fee;
- (vi) 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
- (vii) 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.