

HEXTAR INDUSTRIES BERHAD

[Registration No. 201101044580 (972700-P)]

(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. PURPOSE

- 1.1 This Terms of Reference (“TOR”) defines the scope of responsibilities, duties and authority of the Audit Committee (“AC”), established by the board of directors (“Board”) of Hextar Industries Berhad (“HIB” or “the Company”). It serves as a guidance to the AC in discharging their responsibilities, duties and authority pertaining to plans, policies and practices in relation to risk management and internal control, financial reporting, internal and external audit functions and overseeing the implementation and monitoring the Whistle Blowing Policy of HIB and its subsidiaries (“Group”), within the authority delegated by the Board, for the effective functioning of the Board.
- 1.2 This TOR is guided by the best practices in the Malaysian Code on Corporate Governance 2021 and Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and other statutory and regulatory requirements.

2. COMPOSITION

- 2.1 The members of AC shall be appointed by the Board from amongst the Directors of the Company and shall comprise of at least 3 members, all of whom must be Non-Executive Directors, with a majority of them being independent. The Board shall at all the times ensure that at least 1 member of the AC:
- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) if he is not a member of the MIA, he must have at least 3 years' working experience and:
 - (i) passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) 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
 - (c) fulfils such other requirements as prescribed or approved by Bursa Securities.
- 2.2 The AC shall possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and able to understand matters under the purview of the AC including the financial reporting process. All AC members shall undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.3 The AC shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director. The Chairman of the Audit Committee must not be the Chairman of the board.
- 2.4 Any former partner of the external audit firm of the Company shall observe a cooling-off period of at least three (3) years before being appointed as a member of AC.
- 2.5 No alternate director shall be appointed as a member of the AC.

- 2.6 If a member of the AC resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below 3, the Board shall, within 3 months from the date of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

3. AUTHORITY

3.1 The AC shall, in accordance with the procedure determined by the Board and at the cost of the Company, have the following authority and rights:

- (a) Have the authority to investigate any matters within its terms of reference;
- (b) Have the resources which are required to perform its duties;
- (c) Have full and unrestricted access to any information pertaining to the Group;
- (d) Be fully informed about significant matters related to the company's audit and its financial statements and to address these matters;
- (e) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (f) Be able to obtain independent professional or other advice and to secure the attendance of any persons with relevant experience and expertise if it considers necessary;
- (g) Be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity, without the presence of the other Directors, management and employees of the Company, whenever deemed necessary;
- (h) AC shall meet with the external auditors, the person(s) carrying out the internal audit function or activity or both at least once a year without the presence of the executive Directors, management or any employees of the Group; and
- (i) Report any matter which was brought up but has not been satisfactorily resolved by the Board which results in breach of Listing Requirements of Bursa Securities.

4. DUTIES AND RESPONSIBILITIES

4.1 In fulfilling its primary objectives, the AC shall undertake, amongst others, the following duties and responsibilities:

(a) Financial Reporting

To review the quarterly and annual financial statements of the Group prepared by the management, where necessary, together with the external auditor, focusing particularly on:

- (i) changes in or implementation of major accounting policies and practices;
- (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- (iii) significant adjustments arising from the audit and unusual events;

- (iv) compliance with applicable approved accounting standards, other statutory and legal requirements; and
- (v) the going concern assumption.

(b) Risk Management and Internal Control

- (i) Review the adequacy and effectiveness of the internal control system and risk management framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to mitigate losses and maximise opportunities;
- (ii) To review the extents of compliance with established internal policies, standards, plans, procedures, laws and regulations; and
- (iii) To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors.

(c) Internal Audit Function

- (i) To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties;
- (ii) Ensure the internal auditors report directly to the AC;
- (iii) Ensure the internal audit function is carried out in accordance with a recognised framework;
- (iv) Review the following with the internal auditors and report the same to the Board:
 - the adequacy of the scope, competency, experience and resources of the internal audit function and that it has the necessary authority and resources to carry out its work;
 - the internal audit plan and processes, results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
 - the adequacy and effectiveness of the internal control system which includes financial, operational, controls, environmental and compliance nature;
 - major audit findings, reservations or material weaknesses and the Management's response and actions undertaken to resolve the audit issues reported during the year and other activities as authorised by the Board.
- (v) Review the annual performance assessment (including suitability, objectivity and independence) of internal auditors and report the findings and observation to the Board.
- (vi) To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors

and to ensure that appropriate actions have been taken to implement the audit recommendations;

- (vii) To ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;
- (viii) To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party; and
- (ix) To carry out ad-hoc reviews of other areas where there is a concern that affects financial reporting or a threat on the safeguarding of the Company's assets.
- (x) To request and review any special audit which the AC deems necessary.

(d) External Audit

- (i) Review the following with the external auditors and report the same to the Board:
 - the audit scope and plan;
 - evaluation of the quality and effectiveness of the accounting system;
 - evaluation of the system of internal controls;
 - audit report;
 - the assistance given by the employees of the Company to the external auditors to facilitate the discharge of the role of the external auditors;
 - coordination of their audit works with reference to the internal audit plans and reports;
 - external auditors' management letter and management's response thereto; and
 - any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditor.
- (ii) To review the annual performance assessment, including the suitability and independence of the external auditors and make recommendations to the Board, the appointment or re-appointment of the external auditors;
- (iii) To assess the performance and effectiveness of the external auditors and make recommendations to the Board on their appointment and removal focusing particularly on:
 - the adequacy of the experience and resources of the external auditors;
 - the number and experience of supervisory and professional staff assigned to the particular audit;
 - persons assigned to the audit;
 - accounting firm's audit engagements;
 - the size and complexity of the Group being audited;
 - the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and

- whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.
- (iv) To review any matters arising concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditors;
 - (v) To review the external auditor's audit report, and management letter and management's response to the management letter;
 - (vi) To be advised of significant use of the external auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised;
 - (vii) reviews issues and reservations arising from the interim and final audits, whether appropriate action is taken on the recommendations of the auditors and any matter the auditor wish to discuss in the absence of the executive directors or management where necessary;
 - (viii) reviews the external auditor's management letter, management's response and audit report; and
 - (ix) To review with the external auditors for the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report ("AR").

(e) Related Party Transactions/Conflict of Interest Situations

- (i) To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate or mitigate such conflicts; and
- (ii) To ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

(f) Other Responsibilities

- (i) undertakes continuous professional development to keep AC members abreast of relevant developments particularly, in accounting and auditing standards, practices and rules;
- (ii) prepares annual AC report to the Board for inclusion in the AR;
- (iii) reviews the assistance and co-operation given by the Company and its Groups' officers to the external and internal auditors;
- (iv) reviews with the internal and external auditors their evaluations of the systems and standards of internal control and any comments they may have with respect to improving control;
- (v) avails to the external and internal auditors a private, confidential audience at any time they desire and requested it through the AC Chairman, with or without the prior knowledge of the management;
- (vi) reports to the Board if there is any breach of the Listing Requirements of Bursa Securities and recommend corrective measures; report to Bursa Securities or

relevant authority if there is any breach of the Listing Requirements, which the Company has failed to satisfactorily correct after due notice; and

- (vii) perform any other functions that may be assigned by the Board when deemed necessary and appropriate.

5. MEETINGS OF THE AC

- 5.1 The AC shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the AC Chairman's discretion. Other than in circumstances which the Chairman of the AC considers appropriate, the Executive Directors, Group Accountants, the representatives of the internal auditors and external auditors will attend any meeting of the AC to make known their views on any matter under consideration by the AC or which in their opinion, should be brought to the attention of the AC. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the AC. Where necessary, the AC shall meet with the external auditors without the present of any Executive Directors and members of the management.
- 5.2 In the event the elected Chairman is not able to attend a meeting, a member of the AC shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Non-Executive Director ("INED").
- 5.3 Subject to the notice and quorum requirements as provided in the TOR, meeting of the AC may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

6. QUORUM

The quorum for a meeting of the AC shall consist of not less than 2 members, majority of members present must be INED.

7. NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than five (5) days before the date of the meeting. Supporting papers shall be sent to AC and to other attendees as appropriate, at the same time.

8. SECRETARY AND MINUTES

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the AC. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the AC and ensure that the minutes are properly kept and produced for inspection if required. The AC shall report to the Board and the minutes of each meeting shall be tabled to the Board for notation.

9. CIRCULAR RESOLUTIONS

- 9.1 A resolution in writing signed or approved by letter, telegram, telex, telefax or electronic means by a majority of the AC members present in Malaysia and for the time being entitled to receive notice of a meeting of AC shall be as valid and effectual as if it had been passed at a meeting of the AC duly convened. Any such resolution shall be described as "Audit Committee's Written Resolutions"

and may consist of several documents including facsimile or other similar means of communication, in similar form, each signed by one or more AC members and shall constitute one document in those terms. The expressions "in writing", "written" or "signed" include approval by legible confirmed transmission via facsimile, telex, cable, telegram or other forms of electronic communications.

9.2 Each individual AC member shall abstain from deliberation and decision of any resolution which involving his own interest.

10. REVIEW OF AC

The NRC of the Company must review the term of office and performance of AC and each of its members annually to determine whether such AC and members have carried out their duties in accordance with their TOR to ensure that the Company is able to adapt to changing business circumstances.

11. REVISION AND UPDATES

Any amendment to this TOR can only be approved by the Board. These TOR will be reviewed and updated from time to time in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Committee's responsibilities.

End.