

METROD HOLDINGS BERHAD

201001032606 (916531-A)

TERMS OF REFERENCE OF AUDIT COMMITTEE

MEMBERSHIP

1. The Audit Committee (“AC”) shall be appointed by the Board of Directors based on the recommendation of the Nominating Committee from amongst the Directors of the Company which fulfils the following requirements:
 - (a) the AC must be composed of not fewer than three (3) members;
 - (b) all AC members must be Non-Executive Directors, with all of them being Independent Directors; and
 - (c) at least one (1) member of the AC:
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) 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) fulfills such other requirements as prescribed or approved the Bursa Malaysia Securities Berhad.
2. The members of the AC shall elect a Chairman from among themselves who shall be an Independent Director. If there is any vacancy in the position of the Chairman of the AC, the Board shall within three (3) months appoint a new Chairman of the AC to fill the vacancy.
3. No Alternate Director should be appointed as a member of the AC.
4. Any former key audit partner shall observe a cooling off period of at least 2 years before being appointed as a member of AC.
5. In the event of any vacancy in the AC (including Chairman of the AC) resulting in the non-compliance of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad pertaining to the composition of AC, the Board of Directors shall fill the vacancy within three (3) months of the occurrence of that event.
6. The terms of office and performance of the AC and each of its members must be reviewed by the Nominating Committee annually to determine whether the AC and its members have carried out their duties in accordance with their Terms of Reference.

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CHAIRMAN

1. The Chairman shall report to the Board of Directors on all matters within its duties and responsibilities.
2. Encouraging open discussion during meetings and take reasonable steps in ensuring substantive flow of relevant information to the AC.
3. Creating and maintaining an active on-going communication with Senior Management and both the Internal Auditors and External Auditors.

SECRETARY OF AUDIT COMMITTEE

1. The Company Secretary shall be the Secretary of the AC or in his absence, another person as the Secretary of the meeting the Chairman of the AC shall choose.
2. Meeting papers should be provided to all members of AC at least five (5) business days in advance or a timeline set and agreed between the Chairman and the Company Secretary before the meetings for perusal and deliberating at the meetings. However, confidential papers may be distributed during the meeting but presentations or briefings will be made by Management to aid members of AC in making well-informed decisions.

MEETINGS

Meetings shall be held not less than four (4) times a year.

1. Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the AC shall convene a meeting to consider any matter the Internal Auditors and/or External Auditors believe should be brought to the attention of the Board of Directors or shareholders of the Company.
2. The quorum shall consist of a majority of the Independent Non-Executive Directors.
3. The Finance Director, the Head of Internal Audit and a representative of the External Auditor shall normally attend AC meetings. Any other Directors and employees may attend any particular meeting only at the AC's invitation, specific to the relevant meeting.
4. The minutes of each meeting shall be kept as part of the statutory record of the Company upon confirmation by the Board and a copy shall be circulated to all members of the AC.
5. The AC shall regulate its own procedures, in particular:
 - (a) the calling of meetings;
 - (b) the notice to be given of such meetings;
 - (c) the voting and proceedings of such meetings;
 - (d) the keeping of minutes; and
 - (e) the custody, production and inspection of such minutes.
6. The AC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of tele-conference, video-conference or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other.

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- Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the AC shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.
7. A resolution shall be decided by majority vote. The entry in the minutes of the meeting of that declaration shall be conclusive evidence of the result of the resolution.
 8. A resolution in writing signed by all AC members shall be valid and effective for all purposes as a resolution passed at a meeting of the AC duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members. Any such document may be accepted as sufficiently signed by AC members if transmitted to the Company by any technology purporting to include a signature and/or electronic or digital signature of the AC members.

RIGHTS OF THE AUDIT COMMITTEE

In carrying out its duties and responsibilities, the AC will:

- (a) have authority to investigate any matter 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 Company;
- (d) have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit Function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

FUNCTIONS OF THE AUDIT COMMITTEE

1. The AC shall, amongst others, discharge the following functions to review:
 - (a) the Quarterly Results and year end Financial Statements, prior to the approval by the Board of Directors, focusing particularly on:
 - i) the going concern assumption;
 - ii) the changes in or implementation of major accounting policy changes;
 - iii) the significant judgement made by Management;
 - iv) the significant and unusual events; and
 - v) the compliance with accounting standards and other legal requirements.
 - (b) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions or management integrity.

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- (c) with the External Auditors the Audit Plan, Audit Report, their evaluation of the system of Internal Controls, their letter to management and management's response and a clear and direct line of communication between the Board and the External Auditors through meetings and discussions.
 - (d) the adequacy and effectiveness of the internal control system.
 - (e) the Group risk management report and the risk management policies and practices of the Group to ensure their effectiveness.
2. In respect of the appointment of External Auditors:
- (a) to review whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for the re-appointment;
 - (b) to consider the nomination of a person or persons as External Auditors and the audit fee;
 - (c) to consider any questions of resignation or dismissal of External Auditors;
 - (d) the size and complexity of the Group being audited;
 - (e) the number and experience of supervisory and professional staff assigned to the particular audit; and
 - (f) to review the performance of the External Auditors and its independence.
3. In respect of the Internal Audit Function:
- (a) to review the adequacy of the scope, functions, competency and resources of the Internal Audit Function and that it has the necessary authority to carry out its work;
 - (b) to review the Internal Audit Plan and the results of the Internal Audit processes where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Function;
 - (c) to review any appraisal or assessment of the performance of members of the Internal Audit Function;
 - (d) to ensure that the Internal Audit Function is independent of the activities it audits and free from interference in determining the scope of internal audit, performing work and communicating results;
 - (e) to ensure the internal audit function reports directly to the AC.
 - (f) if the Internal Audit Function is performed in-house:
 - (i) to approve any appointment or termination of senior staff members of the Internal Audit Function; and
 - (ii) to be informed of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.

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4. To promptly report such matter to the Bursa Malaysia Securities Berhad if the AC is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
5. In the event that non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' firm are significant (i.e. constitute 50% of the total amount of audit fees paid to the Company's External Auditors) the Company is required to state the details on the nature of non-audit services rendered in the AC Report.
6. To carry out such other functions as may be agreed to by the AC and the Board of Directors.

REVISION OF THE TERMS OF REFERENCE

The Terms of Reference will be reviewed periodically or as and when required by the AC and recommendation be made to the Board for approval on any revision.