

SELANGOR PROPERTIES BERHAD (Company No. 5199-X)

**AUDIT COMMITTEE
- TERMS OF REFERENCE**

1. Objectives

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:-

- a) oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- c) determine the adequacy of the Group's administrative, operating and accounting controls.

2. Composition

The Audit Committee shall be appointed by the Directors from amongst their members (pursuant to a resolution of the Board of Directors) which fulfill the following requirements:-

- a) the audit committee must be composed of not fewer than 3 members and all members shall be non-executive directors;
- b) a majority of the audit committee must be independent directors; and
- c) all members of the Audit Committee should be financially literate and at least one member of the audit committee:-
 - i) must be a member of the Malaysian Institute of Accountants;
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - 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) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- d) No alternate Director shall be appointed as a member of Audit Committee.

The members of the Audit Committee shall elect a chairman from amongst their number who shall be an independent director.

In the event of any vacancy in the Audit Committee (including Chairman) resulting in the non-compliance of item 2(a) to (c) above, the vacancy must be filled within 3 months of that event.

The Board of Directors via Nominating Committee must review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

3. Functions

The functions of the Audit Committee are as follows:-

- a) to review the following and to report the same to the Board of Directors:-
 - i) with the external auditors, the audit plan;
 - ii) with the external auditors, his evaluation of the system of risk management and internal controls;
 - iii) with the external auditors, his audit report;
 - iv) the assistance given by the Company's employees to the external auditors; and
 - v) 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 the questions of management integrity and the framework established or to be established.

- b) to consider the appointment/re-appointment of the external auditor, the audit fee and any questions of resignation or dismissal and the letter of resignation from the external auditor before making a recommendation to the Board. In considering the appointment/re-appointment of the external auditor, to consider among others:-
 - (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the listed issuer's group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit;

The Audit Committee is to also consider the performance of the external auditor and its independence as below:-

- (i) 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;
- (ii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and

- (iii) 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.
- c) to discuss with the external auditor before the audit commences, the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
- d) to discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditor or its affiliates and procedures that must be followed by the external auditors. The contracts cannot be entered into should include:-
 - i) Management consulting;
 - ii) Strategic decision;
 - iii) Tax Services;
 - iv) Internal Audit; and
 - v) Policy and standard operating procedures documentation;

In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (eg. 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 Audit Committee Report.

- e) to review the quarterly and year-end financial statements of the Company, focusing particularly on:-
 - i) any changes in or implementation of major accounting policies and practices;
 - ii) significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant unusual events or transactions and how these matters are addressed;
 - iii) the going concern assumption;
 - iv) compliance with accounting standards and other legal requirements;
- f) to discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditor may wish to discuss (in the absence of management where necessary);
- g) to review the external auditor's management letter and management's response;
- h) to review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employees involved in the risk management process;

- i) to review the Group's risk profile and risk tolerance;
- j) to do the following in relation to the internal audit function:-
 - i) ensure the internal audit function is independent of the works it audits and the head of internal audit reports directly to the Audit Committee. The head of internal audit should have relevant qualifications and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively. The Head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company;
 - ii) 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;
 - iii) review the internal audit programme, internal audit reporting and communication flow and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function of whether concerns, if any, identified by internal audit in its report were addressed during the financial year;
 - iv) review any appraisal or assessment of the performance of members of the internal audit function;
 - v) approve any appointments or termination of senior staff members of the internal audit function;
 - vi) take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
- k) to consider any related party transaction and conflict of interest that may arise within the Company and group.
- l) to consider the major findings of internal investigations and management's response; and
- m) to consider other areas as defined by the Board, or as may be prescribed by Bursa Securities or any other relevant authority from time to time.

4. Rights of the Audit Committee

The Audit Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- a) have authority to investigate any matter within its term 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;
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, the persons carrying out the internal audit function or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

5. Meetings

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without the presence of executive Board members.

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.

The Company Secretary or other appropriate senior official shall act as 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 committee members prior to each meeting.

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

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular audit committee meeting specific to the relevant meeting.

6. Disclosure

The Audit Committee is required to prepare an Audit Committee Report at the end of each financial year for inclusion in the Annual Report of the Company. The Audit Committee Report shall include the following information:-

- a. Composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- b. Number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member;
- c. Summary of the work carried out by the Audit Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities; and
- d. Summary of the work of the internal audit function.

The Audit Committee shall also assist the Board in making the following additional statements in the Company's Annual Report:-

- a. Statement explaining the Board's responsibility for preparing the annual audited financial statements of the Company and its subsidiaries; and
- b. Statement about the state of risk management and internal controls of the Company and its subsidiaries.

7. Written Terms of Reference

The Audit Committee must have its written terms of reference which deal with its authority and duties, and such information must be made available on the Company's website.