



Registration No. 197501001462 (23568-H)

Wisma Hubline, Lease No. 3815 (Lot 10914), Section 64, KTLD

Jalan Datuk Abang Abdul Rahim, 93450 Kuching, Sarawak, Malaysia

Tel 082 33 5393 Fax 082 33 7393 www.hubline.com

Terms of Reference of the Audit Committee

1. Purpose

The Audit Committee is established as a committee of the Hubline Berhad Board of Directors ("the Board") with the following principal objectives:

- 1.1 To assist the Board in fulfilling its statutory duties and responsibilities related to financial reporting, corporate governance and risk management practices of the Company.
- 1.2 To assist the Board in providing directions over both the external and the internal audit functions.
- 1.3 To review the Company's accounting function, financial reporting and internal controls system.
- 1.4 To monitor compliance laws, regulations and the code of conduct.

2. Appointment and Composition

- 2.1 The members of the Audit Committee shall be appointed by the Board of Directors.
- 2.2 The Audit Committee shall comprise of at least three (3) Board members, all of whom shall be Non-Executive Directors and a majority of whom shall be Independent Non-Executive Directors.
- 2.3 The members the Audit Committee shall elect a Chairman from amongst themselves who shall be an Independent Non-Executive Director.

- 2.4 At least one (1) member shall be a member of the Malaysian Institute of Accountants or shall fulfill such other requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 2.5 In the event of any vacancy in the Audit Committee for any reason, the Board shall, upon recommendation of the Nomination Committee, appoint such number of new members as may be required to fulfill the minimum requirement and fill the vacancy within three (3) months of that event.
- 2.6 No Alternate Director shall be appointed as a member of the Audit Committee.
- 2.7 A former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

3. Authority

The Audit Committee has free access to all documents, information and employee that it requires for the purpose of discharging its functions and responsibilities.

The Audit Committee is authorised by the Board and at the expense of the Company to perform the following:

- 3.1 Investigate any matters within its terms of reference.
- 3.2 Secure the appropriate resources in order to perform its duties as set out in its terms of reference.
- 3.3 Have full and unrestricted access to all information in relation to the Company and its subsidiaries or associates (the "Group").
- 3.4 Seek any information it requires from any employee of the Group in order to perform its duties.
- 3.5 Have direct communication channels with the External Auditors and Internal Auditors;
- 3.6 Convene closed meetings with the External Auditors, the Internal Auditors, or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

- 3.7 Obtain external independent professional advice or assistance to perform its duties, if deemed necessary.
- 3.8 Appoint, compensate and oversee the works of the External Auditors.
- 3.9 Resolve any disagreement between management and the External Auditors regarding financial reporting.
- 3.10 Report to the Board on matters considered and provide its recommendation to the Board.

4. Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall include the following:

- 4.1 Review the quarterly results and year-end financial statements of the Group prior to the approval by the Board, focusing on the matters as follows:
 - 4.1.1 Compliance with accounting standards, policies, practices and other legal or regulatory requirements;
 - 4.1.2 Significant financial reporting issues;
 - 4.1.3 Significant judgments made by management;
 - 4.1.4 Significant and unusual events or transactions;
 - 4.1.5 Significant adjustments arising from the audit; and
 - 4.1.6 Changes in or implementation of major accounting policy and practices.
- 4.2 Evaluate the independence, objectivity and suitability of the External Auditors in their provision of services, including non-audit related services.
- 4.3 Review the appointment, resignation or dismissal of the External Auditors and their audit fees.
- 4.4 Review the issues and reservations of the Internal and External Auditors on internal control system and discuss any major findings.

- 4.5 Review the audit plans and audit reports being prepared by the External Auditors.
- 4.6 Review the assistance being given by the Group's employees to the External Auditors.
- 4.7 Review the External Auditors' evaluation of the system of internal controls.
- 4.8 Recommend the nomination of a person or persons as External Auditors.
- 4.9 Review the management letter and management's response.
- 4.10 Review the scope, functions, competency and adequacy of resources, authority, audit plan, internal audit program and results, processes or investigation being undertaken and the action being taken on their recommendations.
- 4.11 Review the internal audit plan, processes, and results of the internal audit assessments, investigation being undertaken and whether or not appropriate action is taken on the recommendations.
- 4.12 Review the authority and resources being made available to the Internal Auditors to carry out its work.
- 4.13 Review the internal audit reports and their findings and recommendations.
- 4.14 Review the appraisal or assessment of the performance of the Head of Internal Audit of the internal audit function including that of senior internal audit staff and any matter concerning their appointment and termination.
- 4.15 Review the annual Statement on Risk Management and Internal Control to be published in the Annual Report and make recommendation to the Board of Directors for approval.
- 4.16 Review any related party transaction and conflict of interest situation that arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions about management integrity.

- 4.17 Review the Terms of Reference of the Audit Committee and make recommendations to the Board of Directors for approval.
- 4.18 Consider other topics as defined by the Board of Directors.
- 4.19 Report its activities, issues and related recommendations to the Board of Directors, and any matter which has not been satisfactorily resolved, thus resulting in a breach of the Listing Requirements.

5. Secretary

- 5.1 The Company Secretary or their nominee shall act as the Secretary of the Audit Committee.
- 5.2 The Secretary shall minute the proceedings and resolutions of all Audit Committee meetings, including the names of those present and in attendance.
- 5.3 Minutes of the Audit Committee meetings shall be circulated to each member of the Audit Committee and made available on request to other members of the Board.

6. Quorum

- 6.1 The quorum necessary for the transaction of business shall be two (2) of whom the majority shall be Independent Non-Executive Directors. In the absence of the Chairman of the Audit Committee, the remaining members present shall amongst themselves elect a Chairman who must be Independent Non-Executive Director to chair the meeting.
- 6.2 A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise any or all of the authorities being vested by the Committee.

7. Meetings and Attendance

- 7.1 The Audit Committee shall meet no less than four (4) times a year. Furthermore, it shall meet as and when the Chairman of the Committee deems necessary to fulfill the Committee's responsibilities.
- 7.2 Other members of the Board, representatives of the External Auditors, the Internal Auditors, employees or others may only attend the Committee's meetings upon the invitation from the Committee.

- 7.3 In the absence of a face-to-face meeting, any issue shall be resolved through telephone conferencing, video conferencing or any other appropriate means as determined by the Committee.
- 7.4 Due notice of issues should be given and conclusions in discharging the Audit Committee's duties and responsibilities should be recorded.
- 7.5 The Audit Committee shall report to the Board on any matter that should be brought to the Board's attention and provide the recommendation that requires the Board's approval.

8. Voting

- 8.1 A matter put to vote at the meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman has the casting vote.
- 8.2 A member who has interest in a contract or proposed contract or transaction or arrangement or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in voting.

9. Circular Resolution

- 9.1 A resolution in writing signed by majority of members shall be valid and effectual as if it had been passed at a meeting of the Audit Committee. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members.