

INARI AMERTRON BERHAD (1000809-U)

Terms of Reference of the Audit Committee

1. Primary objectives of the Audit Committee

The primary objectives of the Audit Committee are to:-

- ensure transparency, integrity and accountability of the Group's activities so as to safeguard the rights and interests of the shareholders;
- assist the Board in discharging its fiduciary duties and responsibilities in relation to management of principal risks, internal controls and financial reporting and compliance of statutory, legal and regulatory requirements;
- evaluate and monitor the financial reporting process, and provide assurance that the financial information provided by management is relevant, reliable and timely;
- ensure the adequacy and integrity of the Group's system of internal controls in carrying out the Group's operations;
- maintain regularly scheduled meetings between the Board, senior management and external auditors which serve as a forum for communication between non-Committee Directors, the senior management and external auditors and providing a forum for discussion that is independent of the management through regularly scheduled meetings;
- ensure the independence of the Company's external auditors and its ability to conduct its audit without any restriction; and
- undertake any other duties as may be appropriate and necessary to assist the Board.

2. Composition of the Audit Committee

The Audit Committee shall be appointed by the Board from amongst their number and shall consist of no fewer than three (3) members, all of whom must be non-executive directors, with a majority of them being independent non-executive directors of the Company. An alternate director cannot be appointed as a member of the Audit Committee.

At least one (1) member of the Audit Committee:-

- (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 three (3) years' working experience and
 - a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfil such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

The Chairman of the Audit Committee shall be an independent non-executive director appointed by the Board.

In the event of a vacancy in the Audit Committee, the Board shall appoint a new member within three (3) months to fill up the vacancy.

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AUDIT COMMITTEE TERMS OF REFERENCE

3. Authority of the Audit Committee

The Audit Committee is authorised by the Board to:

- investigate any activity within its terms of reference;
- have full and unrestricted access to all information and documents, to the external auditors and to all employees of the Group.
- have the resources which are required to perform its duties;
- obtain external, legal or other independent professional advice and secure the attendance of external parties with relevant experience and expertise, at the Group's expenses if it considers necessary;
- have the right to convene meetings with the external auditors, excluding the attendance of executive directors and may extend invitation to other non-member directors and officers of the Company to attend to a specific meeting, when it considers necessary.

4. Attendance at Meetings and Frequency of Meetings

The Audit Committee shall meet at least five (5) times a year or at a frequency to be decided by the Audit Committee and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. They shall convene meetings with external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company.

The Chairman may convene a meeting of the Audit Committee if requested to do so by any member, the management or the external auditors to consider any matters within the scope of its duties and responsibilities if they consider it necessary.

The quorum for each meeting shall be at least 2 members.

The Audit Committee may invite other Directors and employees to be present to assist in resolving and clarifying matters raised. The Chief Financial Officer and certain senior members of the Group finance division shall normally attend the meetings. At least once a year the Audit Committee shall meet with the external auditors.

To ensure critical issues are highlighted to all the Board members in a timely manner, where possible, the Audit Committee meetings are convened before the Board meetings. The issues raised at the Audit Committee meetings will be further deliberated at Board level if necessary. Minutes of the Audit Committee will be circulated to the Board at the next scheduled meeting.

5. Voting and proceeding of meeting

The decision of the Audit Committee meetings shall be decided on a show of hands by a majority of votes. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

6. Secretary to the Audit Committee, keeping of minutes and custody, production and inspection of minutes

The Company Secretaries shall be the secretary to the Audit Committee and shall be responsible in drawing up the agenda and circulating it to the members of the Audit Committee prior to each meeting. The Company Secretaries shall also be responsible for keeping minutes of the meetings and circulate them to members of the Audit Committee and to the other members of the Board where issues can be further deliberated where necessary.

The minutes of the meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

The minutes of proceedings of the Audit Committee shall be kept by the Company Secretaries at the registered office of the Company, and shall be open to the inspection of any member of the Audit Committee or any member of the Board.

7. Duties and Responsibilities of the Audit Committee

In fulfilling its primary objectives, the Audit Committee undertakes the following duties and responsibilities:-

- To oversee matters relating to external audit including the review of the audit plan in particular the adequacy of existing external audit arrangements with emphasis on the scope, quality and findings of the audit, the auditors' management letter and the management's response thereto and the Auditors' Report.
- To evaluate the standards of system of internal controls and financial reporting including review with the Group external auditors their evaluation of the system of internal controls and ensure the Group external auditors recommendations regarding major management and weaknesses are implemented.
- To review the quarterly and annual financial statements before submission to the Board, with special focus on any changes in or implementation of major accounting policies and practices, significant adjustments resulting from the audit, significant and unusual events and compliance with all relevant accounting standards and statutory and regulatory disclosure requirements.
- To review the assistance and cooperation given by the officers and employees to the external auditors.
- To review any related party transaction and conflict of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise question on management integrity.
- To consider the appointment of the external auditors, the auditors' remuneration and any matters pertaining to resignation or dismissal of the external auditors.
- To promptly report to Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board which have not been satisfactorily resolved resulting in a breach of the Listing Requirements.
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- To consider other function or duty as authorised by the Board.