

KADER HOLDINGS COMPANY LIMITED

AUDIT COMMITTEE TERMS OF REFERENCE

The Board of Directors (“the Board”) of Kader Holdings Company Limited (“the Company”) hereby constitutes and establishes an Audit Committee (“the Committee”) with authority, responsibilities and duties as described below.

Membership

The Committee shall be appointed by the Board from amongst the non-executive directors of the Company. The Committee shall consist of not less than three independent non-executive directors. A quorum shall be three members, at least two of them being independent non-executive directors. The Chairman of the Committee shall be an independent non-executive director and appointed by the Board.

Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice as necessary to assist the work of the Committee.

The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

Meetings

The Committee shall meet at least twice a year. Additional meetings should be held as the Committee deems fit or upon request of the external auditors.

Attendance

As necessary or desirable, the Chairman of the Committee may request members of management and representatives of external auditors be present at meetings of the Committee. Other Board members shall also have the right of attendance. Where practically feasible, the Committee shall at least once a year meet with the external auditors without executive Board members present.

Reporting and Minutes

The Committee shall report to the Board on a regular basis.

The Company Secretary shall be the secretary of the Committee and prepare minutes of each meeting of the Committee and send the same to all the members of the Committee for their comments within a reasonable time after each meeting. Upon receipt of the comments (if any) from members of the Committee, the secretary of the Committee shall finalize the minutes and send the same within a reasonable time to every member of the Committee and to all other members of the Board for their records.

Committee Duties

The duties of the Committee shall be:

Relationship with the issuer's auditors

- (a) To be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- (c) To develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the issuer

- (d) To monitor integrity of financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Committee should focus particularly on:
 - (i) Any changes in accounting policies and practices;
 - (ii) Major judgmental areas;
 - (iii) Significant adjustments resulting from audit;
 - (iv) The going concern assumptions and any qualifications;
 - (v) Compliance with accounting standards; and
 - (vi) Compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;
- (e) In regard to (d) above:-
 - (i) Members of the Committee must liaise with the Board, senior management and the person appointed as qualified accountant and the Committee must meet, at least once a year, with the auditors without executive Board members present; and
 - (ii) The Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the qualified accountant, compliance officer or auditors;
- (f) To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).

Oversight of the financial reporting system and internal control procedures

- (g) To review the financial controls, internal control and risk management systems;
- (h) To discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (i) To consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (j) Where an internal audit function exists, to ensure coordination between the internal and external auditors, and to ensure that the internal audit function, if any, is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (k) To review the group's financial and accounting policies and practices;
- (l) To review the draft representation letter prior to approval by the Board;
- (m) To review the external auditor's management letter and management's response, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (n) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) To report to the Board on the matters set out in these terms of reference; and
- (p) To consider other topics, as defined by the Board.

Adopted on : 24th May, 1999

Revised on : 12th April 2005