

<b>TERMS OF REFERENCE</b>
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**AUDIT COMMITTEE**

**1. INTRODUCTION**

- a. The Audit Committee (“Committee”) is a governing body appointed by the Board of Directors, which is charged with oversight of the organisation’s audit, accounting and risk and internal control functions as promulgated by the relevant requirements or guidelines.

**2. PRIMARY PURPOSE**

- a. The primary purpose of the Committee is to assist the Board of Directors (“BOD”) in fulfilling its fiduciary responsibilities relating to the following objectives of the Company:-
- Improve the quality of the accounting function, system of risk management and internal controls and audit function and strengthen the confidence of the public in the Company’s reported results.
  - Maintain a direct line of communication between the BOD, the external auditors and internal auditors through regularly scheduled meetings.
  - Enhance the independence of both the external and internal audit functions through active participation in the audit process.
  - Strengthen the role of the independent directors by giving them a greater depth of knowledge as to the operations of the Company.
  - Review and recommend ethics code for all executives and members of the staff of the Company.
  - Create a climate of compliance, discipline and control which will prevent the incidence of fraud and other shortcomings.

**3. MEMBERSHIP**

The BOD shall appoint Committee members from amongst its members, comprising no fewer than 3 directors (all of whom must be Non-Executive Directors) and the majority of whom shall comprise Independent Directors of the Company and in accordance with the requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”) or relevant legislation or guidelines. In this respect, the BOD adopts the definition of “independent directors” under the Main Market Listing Requirement (“MMLR”) of Bursa Securities. The BOD shall at all times ensure that all members of the Committee should have working knowledge of finance and accounting and at least 1 member of the Committee shall be:-

- a. A member of the Malaysian Institute of Accountants (“MIA”); or
- b. If he or she is not a member of MIA, he or she must have at least 3 years of working experience and :-
- He or she must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - He or she must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or

- He or she fulfils such other requirements as maybe prescribed by or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”) and/or such other relevant authorities from time to time.

All members of the Committee shall be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process. All members of the Committee shall undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The Chairman of the Board shall not be the Chairman of the Committee elected among the members of the Committee. In addition, the Chairman of the Committee shall be an Independent Non-Executive Director. No alternate director of the BOD shall be appointed as a member of the Committee.

In the event of any vacancy resulting in non-compliance with requirements on composition of the Committee, the Company must fill the vacancy within 3 months.

For engagement of a former key audit partner as member of the Committee, there must be a cooling-off period of at least two (2) years before being appointed as a member of the Committee.

The Nominating Committee shall review the term of office and performance of the Committee and each of its members annually to determine if their duties have been carried out in accordance with their terms of reference.

#### **4. MEETINGS**

The Committee shall meet at least four (4) times a year and additional meetings may be called by the Chairman if necessary in order to fulfil its duties.

The quorum for the meeting shall be two (2) and the majority of members present must be independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee. The Secretary shall, in conjunction with the Chairman, draw up an agenda, which shall be circulated together with relevant support papers, at least 1 week prior to each meeting, to the Committee members. The minutes shall be circulated to the members of the BOD and kept by the Secretary for the custody, production and inspection of such minutes.

The agenda for the meeting shall include the following:-

- a. Review the quarterly, interim or year-end financial statements of the Company and respective announcements of the Company before submission to BOD for consideration and approval.
- b. Report and recommend to BOD for approval of annual financial statements.

- c. Review with external auditors the scope of work and audit plans prior to implementation.
- d. Review recurrent related party transactions of a revenue or trading nature within the Company for inclusion in the circular to the shareholders in relation to proposed renewal of the shareholders' mandate for recurrent related party transactions pursuant to Bursa Securities requirements for BOD approval.
- e. Review internal audit reports and consider the significant findings and management responses and ensure significant findings and/or concerns, if any, identified by internal audit in its reports have been adequately addressed by the management during the financial year; and
- f. Discuss problem 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).

Other BOD members and/or employees may attend specific audit committee meetings at the invitation of the Committee. The Chairman shall report on each meeting to the BOD summarising the Committee's activities and the related significant results and findings.

The Committee shall meet at least once a year with the Head of Internal Audit and at least twice a year with the external auditors to discuss any matters without the presence of the management and any executive members of the BOD.

The Committee may conduct its meeting to include participation thereat by any member or invitee via video or teleconferencing or any other means of audio or audio – visual communications.

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder's questions on the Committee's activities, roles and responsibilities.

## **5. AUTHORITY**

The Committee shall have the following authority as empowered by the BOD:

- a. Investigate any matter within its terms of reference.
- b. Seek any information it requires from employees who are required to cooperate with any request made by Committee,
- c. Full and unrestricted access to any information pertaining to the Company,
- d. Direct communication channels with internal and external auditors and with senior management of the Company,
- e. Adequate resources required to perform its duties including legal or other independent professional advice as it considers necessary, at the expense of the Company.

- f. Report to Bursa Securities any matter that has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, after the matter has been reported to the BOD,
- g. Be able to convene meetings with the external auditors, internal auditors or both excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Chairman of the Committee shall engage on a continuous basis with senior management, such as the Chairman of the Board, the Managing Director, the Head of Finance, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

## **6. RESPONSIBILITIES AND DUTIES**

Pursuant to Paragraph 15.12 of the MMLR of Bursa Securities (or any other succession/ deletions/ changes thereof), the following duties shall be discharged by the Committee and the same shall be reported/recommended, where applicable to the BOD:-

- a. Review with the external auditors, the audit scope and plan including any changes to the planned scope of the audit and the proposed audit fees in connection with the statutory audit.
- b. Review the independence, objectivity and performance of the external auditors and their services.
- c. To consider the appointment/re-appointment of the external auditors, the terms of reference of the said appointment/re-appointment and any question on resignation and dismissal of external auditors before making a recommendation to the BOD, and in making the determination of the appointment/ re-appointment of the external auditors, in addition to the suitability factors as set out below:
  - the adequacy of the experience and resources of the accounting firm
  - the persons assigned to the audit
  - the accounting firm's audit engagements
  - the size and complexity of the Company and its subsidiaries being audited and
  - the number and experience of supervisory and professional staff assigned to the particular audit. To also consider the performance of the external auditors and its independence such as:
    - 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; and
    - 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.

- d. Review and approve the non-audit services provided by the external auditors and/or its network firms or its affiliates to the Company for the financial year, including the nature of the non-audit services, fees for the non-audit services (individually and in aggregate) relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.
- e. Ensure the competence, audit quality and resource capacity of the external auditors in relation to the audit.
- f. Review the Internal Audit Charter to ensure that the internal audit function is independent of the work it audits and to identify a head of internal audit who reports directly to the Committee. The head of internal audit should have the relevant qualification and be responsible for providing assurance to the 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. The head of internal audit shall have unrestricted access to the Committee Members.
- g. Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out the work.
- h. Conduct an annual review and periodic testing of the Company's internal control and risk management framework.
- i. Review the adequacy of Company's risk management framework, monitor principal risks that affect the Company and evaluate risk management and mitigation measures in place in order to safeguard shareholders' investments and the Company's assets.
- j. Conduct annual review the adequacy, effectiveness and integrity of risk management and internal control system including risk management process, management information system, adequacy of resources and the internal and external auditors' evaluation of the system., including periodic testing of the Company's internal control and risk management framework.
- k. Review and recommend corrective and preventive measures undertaken to remedy failings and/or weaknesses in the risk management process and internal control system.
- l. Review the external and internal audit reports, process and investigation reports and whether or not appropriate action is taken by management on the recommendations made.

- m. Review the assistance given by Company's officers to the internal and external auditors and any difficulties encountered in the course of work including any restrictions on the scope of activities or access to required information.
- n. Review the appointment, transfer and dismissal of the Head of Internal Audit as well as to evaluate the performance of the Internal Audit function.
- o. Note resignations of internal audit senior staff members, and providing the resigning staff member an opportunity to submit his/her reasons for resigning.
- p. Review the quarterly results and year-end financial statements prior to approval by BOD focusing particularly on:-
  - changes in or implementation of major accounting policy changes;
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - compliance with accounting standards and other legal requirements.
- q. Review any related party transactions and conflict of interest situation that may arise within the Company including any transaction, procedure or course of conduct that raises questions on management integrity and the framework established.
- r. Prepare reports at least once a year, to BOD summarising the work performed in fulfilling the Committee's responsibilities, functions and duties for the financial year.
- s. Review the statement on the state of risk management and internal controls of the Company for inclusion in the Annual Report.
- t. Review any other financial and governance related matters that may be considered/requested by the BOD from time to time.
- u. In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation or affiliated to the external auditors' firm are significant (e.g. 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 the non-audit services rendered in the Company's annual report.
- v. To carry out such other assignments as may be agreed upon or delegated by the BOD.

## **7. PERFORMANCE**

On an annual basis, the BOD must via the Nominating Committee review and evaluate the term of office and performance of the Committee to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

## **8. DISCLOSURE**

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

- a. Composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
  - b. Number of Committee meetings held during the financial year and details of attendance of each Committee member;
  - c. Summary of the work carried out by the 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 Committee shall also assist the BOD in making the following additional statements in the Company's Annual Report:-
    - i. Statement explaining the BOD's responsibility for preparing the annual audited financial statements of the Company and its subsidiaries (if any);
    - ii. Statement about the state of risk management and internal controls of the Company and its subsidiaries (if any).

## **9. WRITTEN TERMS OF REFERENCE**

The 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.