

**TERMS OF REFERENCE OF AUDIT COMMITTEE****OBJECTIVE**

The objective of Audit Committee (“AC”) is to assist the Board of Directors (“Board”) in discharging its responsibilities effectively through oversight of the financial statements and financial reporting processes, management of risk and internal controls, governance and audit processes.

**COMPOSITION**

- (1) AC shall be appointed by the Board from among their members and shall consist of not less than three (3) members and at least one (1) members of the Committee:
  - (a) Must be a member of the Malaysian Institute of Accountant; OR
  - (b) If he is not a member of the Malaysian Institute of Accountant, he must have at least three (3) years of working experience and
    - (i) He must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - (ii) He must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule to the Accountants Act 1967; or
    - (iii) Must fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad from time to time; OR
  - (c) Must have an undergraduate/masters/doctorate degree in accounting or finance and at least three (3) years post qualification experience in accounting or finance; OR
  - (d) Must have at least seven (7) years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- (2) A majority of the Committee members must be Independent Directors.
- (3) No alternate director is to be appointed as a member of the Committee.
- (4) The members of the Committee shall elect a Chairman from among their number who shall be an Independent Director.
- (5) The term of office and performance of the Committee and each of its members shall be reviewed annually.
- (6) In the event of any vacancy in the Committee resulting in the non-compliance of subparagraphs 15.09(1) of the Listing Requirement, the vacancy must be filled within three (3) months.
- (7) In the event if a former key audit partner to be appointed as a member of the Committee, at least three (3) years of cooling-off period have to be observed.

**DUTIES AND FUNCTIONS**

The functions and duties of the Committee shall be:

- (1) To review the following and report the same to the Board of Directors:
  - (a) With the external auditor, the audit plan;
  - (b) With the external auditor, his evaluation of the system of internal controls;
  - (c) With the external auditor, his audit report;
  - (d) The assistance given by the employees of the Company to the external auditor;
  - (e) The adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (f) The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (i) Changes in or implementation of major accounting policies and practices;
    - (ii) Significant and unusual events; and
    - (iii) Compliance with accounting standards and other legal requirements;
  - (h) AC is tasked to oversee and ensure the effective implementation of all risk management policies;
  - (i) Any related party transaction and conflict of interests situation that arose, persist or may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts
  - (j) With management:
    - (i) Audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
    - (ii) interim financial information; and
    - (iii) Assistance given by the officers of the Company to the external auditors.
  - (k) The appointment and / or re-appointment of auditors, the nature and scope of the audit, the audit fee and any question of resignation or dismissal including recommending the nomination of person or persons as auditors;
  - (l) Any letter of resignation from the external auditors of the Company;
  - (m) Whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
  - (n) To assess the objectivity, performance and independence of the external auditors of the Company;
  - (o) To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of the Management, where necessary);
  - (p) To review the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;
  - (q) Any allocation of options in accordance with the employees share scheme of the Company at the end of the financial year; and
  - (r) Major findings of internal investigations and management's response.
- (2) To recommend the nomination of a person or persons as external auditors.
- (3) To consider any other functions or duties as may be agreed to by the Committee and the Board.

## **AUTHORITY**

The Audit Committee shall:

- (1) Have the authority to investigate any matter within its terms of reference;
- (2) Have the resources which are required to perform its duties;
- (3) Have full and unrestricted access to any information pertaining to the Company or group within its terms of reference;
- (4) Have direct communication channels with the external auditors and persons performing the internal audit function or activity (if any);
- (5) Be able to obtain independent professional or other advice within its terms of reference; and
- (6) Be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

## **QUORUM AND ATTENDANCE AT MEETING**

- (1) The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.
- (2) Other Board members and employees may attend meetings at the invitation of the Committee.
- (3) The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.
- (4) All decisions at such meeting shall be decided by a show of hands on a majority of votes.
- (5) The external auditors have the right to appear at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee. The external auditors may also request a meeting if they consider it necessary.

## **FREQUENCY OF MEETINGS AND MINUTES**

- (1) Meetings shall be held not less than four (4) times a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee members, the Company's Chairman or the internal or external auditors if they consider it necessary.
- (2) Minutes of each meeting shall be distributed to each member of the Board.

## **SECRETARY**

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Committee meeting at the Registered Office or such other place as may be determined by the Committee.