

## **TERMS OF REFERENCE**

### **AUDIT COMMITTEE**

#### **Adoption date:**

#### **1. OBJECTIVE**

The Terms of Reference of the Audit Committee (“Committee”) is to ensure that the internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively by the Group. The objectives are:

- a) to assure the shareholders of the Company that the Directors of the Company have complied with the Malaysian Financial Reporting Standards and the required disclosure policies developed and administered by Bursa Malaysia Securities Berhad (“Bursa Securities”);
- b) to ensure consistency with Bursa Securities’ commitment to encourage high standards of corporate disclosure and to adopt best practices aimed at maintaining appropriate standards of corporate responsibility, integrity, and accountability to all the Company’s shareholders; and
- c) to relieve the Board from detailed involvement in the review of the results of internal and external audit activities but yet ensure that audit findings are brought to the highest level for consideration.

#### **2. COMPOSITION**

- a) The Committee shall be appointed from amongst the Board and shall be composed exclusively of Non-Executive Directors of no fewer than 3 members, all of whom the majority shall be independent.
  - b) At least one (1) member of the Committee must be:
    - (i) a member of the Malaysian Institute of Accountant (“MIA”); or
    - (ii) if he is not a member of MIA, he must have at least three (3) years of working experience and:
      - he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
      - he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - c) The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their Terms of Reference.
  - d) A former key audit partner shall observe a cooling-off period of at least 2 years before being appointed a member of the Committee.
  - e) All members of the Committee should be Non-Executive Directors and are financially literate.
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### **3. CHAIRMAN**

- a) The Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Non- Executive Director.
- b) The Chairman of the Committee shall not be the Chairman of the Board.
- c) In the absence of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman to chair the meeting.
- d) The Chairman shall be responsible for:
  - i) planning and conducting of meetings.
  - ii) overseeing the reporting of any potential issues and other issues discussed in its meetings to the Board thereafter.
  - iii) encouraging open discussion amongst its members and other invitees during meetings; and
  - iv) maintaining active ongoing dialogue with Management and both Internal and External auditors.

### **4. RETIREMENT AND RESIGNATION**

If any member of the Committee retires, re-designates, resigns, or for any reason ceases to be a member or Chairman resulting in non-compliance with Paragraph 2(a) above, the Board and the members of the Committee shall, within 3 months of the event, appoint/elect such new member(s) or Chairman as may be required to fill the vacancy.

### **5. AUTHORITY**

The Committee shall, in accordance with a procedure to be determined by the Board of Directors, at the expense of the Company:

- a) investigate any activity within the Committee's Terms of Reference.
  - b) have resources which are reasonably required to enable the Committee to perform its duties.
  - c) have full and unrestricted access to any information pertaining to the Group.
  - d) have direct communication channels with the internal and external auditors.
  - e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
  - f) convene meetings with the external auditors, internal auditors, or both, excluding the attendance of the other Executive Directors and management of the Company, whenever deemed necessary; and
  - g) where the Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"), the Committee shall promptly report such matter to Bursa Securities.
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## 6. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are as follows:

- (a) to review the following, in relation to External Auditors, and report the same to the Board:
- i) to consider the appointment and/or re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person(s) as auditors.
  - ii) to establish policies to consider the nature and extent of the non-audit services rendered and the appropriateness of the level of the fees.
  - iii) to establish policies to assess the competency, audit quality & resource capacity of the external auditor in relation to the audit.
  - iv) to obtain written assurance from external auditor, confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory environments.
  - v) to review the following with the external auditors:
    - the audit plan, its scope and nature.
    - the audit reports.
    - the results of their valuation of the accounting policies and systems of internal accounting controls within the Group; and
    - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
  - vi) To assess the suitability objectivity and independence of the external auditors on an annual basis.
  - vii) 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).
  - viii) To review the unaudited quarterly financial results and the audited financial statements of the Group before recommending to the Board for approval, 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.
    - compliance with applicable accounting standards and other legal requirements.
    - significant adjustments arising from the audit.
    - the going concern assumption; and
    - major judgement areas.
- (b) to review the following, in relation to Internal Auditors, and report the same to the Board:
- ensure that the person responsible for the internal audit has relevant experience, sufficient standing and authority to discharge his function effectively.
  - review the internal audit plan, processes and results of the internal audit assessment, investigation undertaken and whether the recommendations by the Internal Auditors have been implemented.
  - ensure that the Internal Auditors report directly to the Committee.
  - review any appraisal or assessment of the performance of Internal Auditors.
  - approve any appointment or termination of the Internal Auditors.
  - ensure the Internal Audit function has sufficient resources to carry out its role effectively.
- (c) to consider any related party transaction entered into by the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and to review any conflicts of interest that may arise within the Group including any transaction, procedure or course of conduct that raises questions of Management's integrity.
- (d) to report its findings on the financial and management performance, and other material matters to the Board.
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- (e) to consider the major findings of internal investigations and management's response.

- (f) to monitor the Company's compliance with relevant laws, regulations, and code of conduct.
- (g) to review the adequacy and effectiveness of risk management, internal control and governance systems and to review risk management reports from Management for risk identification, assessment and management.
- (h) to consider and examine such other matters as the Committee considers appropriate; and
- (i) To consider other matters as may be directed by the Board from time to time.
- (j) To review with Management:
  - audit reports and management letter issued by the External Auditors and the implementation of audit recommendations; and
  - interim financial information.

## **7. MEETINGS OF THE COMMITTEE**

The Committee shall meet not less than four (4) times a year. The external auditors may request a meeting if they consider one necessary.

In the event the elected Chairman is not able to attend a meeting, a member of the Committee shall be nominated as Chairman for the meeting.

Subject to the notice and quorum requirements as provided in the Terms of Reference, meeting of the Committee may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

## **8. QUORUM**

The quorum for a meeting of the Committee shall consist of not less than two (2) members, of which at least one (1) shall be an Independent Non-Executive Director.

## **9. NOTICE OF MEETINGS**

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than seven (7) days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

## **10. SECRETARY AND MINUTES**

The Company Secretary or his nominee or such other persons authorized by the Board shall act as the Secretary of the Committee. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Committee and ensure that the minutes are properly kept and produced for inspection if required.

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## **11. CIRCULAR RESOLUTION**

A resolution in writing, signed or approved by letter, telegram, telex, telefax or electronic means by a majority of the Committee members present in Malaysia for the time being entitled to receive notice of a meeting of the Committee, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the members of the Committee.

## **12. REVISION AND UPDATES**

The Terms of Reference for the Audit Committee shall be reviewed by the Board annually to ensure it remains consistent with the Company's objectives and Board's responsibilities and in line with the relevant laws and legislations.

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