

# **TERMS OF REFERENCE OF AUDIT COMMITTEE**

## **OBJECTIVES**

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices of the Group.

In addition, the Audit Committee shall:-

1. oversee and appraise the quality of the audits conducted both by the Company's Internal and External Auditors;
2. maintain open lines of communication between the Board of Directors, the Internal Auditors and the External Auditors for the exchange of views and information, as well as to confirm their respective authorities and responsibilities; and
3. determine the adequacy of the Group's administrative, operating and accounting controls.

## **COMPOSITION**

The Board of Directors shall appoint the Audit Committee members from amongst the Directors of the Company. The Audit Committee shall comprise not less than three (3) members of whom:-

1. all must be Non-Executive Directors, with a majority of them being Independent Directors;
2. at least one (1) member of the Audit Committee:-
  - a) must be a member of the Malaysian Institute of Accountants;
  - b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
    - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("BMSB");

3. no Alternate Director shall be appointed as a member of the Audit Committee.
4. No former key audit partner shall be appointed as a member of the Audit Committee after a cooling period of at least 2 years of his terms of office as key audit partner of the Company prescribed under Malaysia Code of Corporate Governance.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director and is not the Chairman of the Board. The Board shall, within three (3) months of a vacancy occurring in the chairmanship, elect a new Chairman from among their numbers who is an Independent Director.

The Nominating Committee must review the term of office and performance of the Audit Committee and each of its members annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

## **QUORUM**

The quorum of the Audit Committee shall be two (2) of whom the majority of members present shall be Independent Directors.

## **ATTENDANCE AND MEETINGS**

Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the management, employees, other Directors and representatives of the External Auditors to be present at meetings of the Audit Committee.

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if, a request is made by any Audit Committee member, the Company's Managing Director, or the Internal or External Auditors.

A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum

shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as-

- i. the quorum is met;
- ii. at the commencement of the meeting each Committee member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
- iii. each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and
- iv. the Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validity notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.

## **SECRETARY**

The Company Secretary shall be the Secretary of the Audit Committee.

## **FUNCTIONS AND RESPONSIBILITIES**

The functions and responsibilities of the Audit Committee shall include the following:-

1. to review with the External Auditors their audit plan, their evaluation of the system of internal accounting and controls and their audit report;
2. to review the assistance given by the Company's employees to the External Auditors;
3. to review the adequacy of the scope, function, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
4. to review the financial condition of the Group, its internal controls and audit programme, the performance and findings of internal audit staff and to recommend action to be taken thereon by the management and whether or not appropriate action is taken on the recommendations of the internal audit function;
5. to review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-

- a.a) changes in or implementation of major accounting policy changes;
  - a.b) 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
  - a.c) compliance with accounting standards and other legal requirements;
6. to review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  7. to review and report the same to the Board of Directors any letter of resignation from the External Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment;
  8. to make recommendations concerning the appointment of the External Auditors and their remuneration to the Board of Directors;
  9. assess the suitability, objectivity and independence of the External Auditors annually;
  10. to recommend the nomination of a person or persons as external auditors and internal auditors; and their respective audit fees.
  11. to oversee the Company's and the staff's ethical matters and all other incidental matter pertaining thereto.
  12. such other functions as may be agreed to by the Audit Committee and the Board of Directors; and
  13. meeting with External Auditors at least twice a year.

The Board of Directors shall table the reports of the Audit Committee and the External and Internal Auditors and corrective actions taken for discussion.

## **MINUTES**

Minutes of each Audit Committee meeting are to be prepared and sent to its members. The Chairman shall also report on each meeting to the Board.

## **RIGHTS OF THE AUDIT COMMITTEE**

The Audit Committee shall, wherever necessary and reasonable for its performance of its duties and in accordance with a procedure to be determined by the Board of Directors and at the Company's cost:-

1. have 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;
4. have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
5. be able to obtain independent professional or other advice; and
6. 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.

## **AUDIT COMMITTEE REPORT**

The Audit Committee shall ensure that an Audit Committee Report which is prepared at the end of each financial year complies with the following:-

1. the Audit Committee Report shall be clearly set out in the annual report of the Company;
2. the Audit Committee Report shall include the following:-
  - a) the composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
  - b) the number of Audit Committee meetings held during the financial year and details of attendance of each member;
  - c) a summary of activities of the Audit Committee in the discharge of its functions and duties for that financial year of the Company; and
  - d) a summary of the activities of the internal audit function or activity.

## **REPORTING OF BREACHES TO BMSB**

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of BMSB's Listing Requirements, the Audit Committee shall promptly report such matter to BMSB.