



## **AUDIT COMMITTEE TERMS OF REFERENCE**

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The terms of reference of the Audit Committee are as follows:

### **1. OBJECTIVES**

The Audit Committee gives assurance to the Company's shareholders that compliance with specified financial standards and disclosure policies developed and administered by Bursa Malaysia Securities Berhad ("Bursa Securities") are being adhered to. In addition, the Audit Committee assures that certain standard of corporate responsibility, integrity and accountability to the Company's shareholders are being inculcated in the duties and responsibility of the Board of Directors ("Board") of the Company.

### **2. MEMBERSHIP**

The Audit Committee shall be appointed by the Board from amongst its members. The Audit Committee shall consist of not less than three (3) members. All the members must be non-executive directors, with a majority of them being independent directors and free from any relationship, which might in the opinion of the Board, interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee.

No alternate director can be a member of the Audit Committee. The members of the Audit Committee shall elect a chairman from among their number who is an independent non-executive director. The Chairman of the Audit Committee shall not be the Chairman of the Board.

At least one (1) member of the Audit Committee:

- (i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
- (ii) if he is not a member of the MIA, he must have at least three (3) years' working experience and:
  - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfills such other requirements as prescribed or approved by Bursa Securities.

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.



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The tenure of independent directors shall be nine (9) years. After serving for nine (9) years, an independent director may continue to serve on the Board as a non-independent director with annual shareholders' approval through a two-tier voting process.

A former partner of the external audit firm of the Company must observe a cooling-off period of at least 3 years before appointed as a member of the Audit Committee.

### **3. QUORUM, MEETINGS AND MINUTES**

A quorum shall be two (2) members and a majority of members present must be independent directors. A representative of external auditors shall attend as and when required. The Company Secretary shall be the secretary of the Audit Committee. Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and Board of Directors. The Chairman of the Audit Committee shall report on each meeting to the Board of Directors.

Notice of the meeting of the Committee may be given by telephone or facsimile and the contemporaneous linking together by telephone or such other electronic communication of a number of the 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 of members is met;
- (ii) at the commencement of the meeting each member acknowledges the presence thereof to all the other members taking part and such participation shall be deemed to be presence in person;
- (iii) each of the members taking part is able to hear each of them subject as hereinafter mentioned throughout the meeting;
- (iv) the 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 validly notwithstanding that a member's telephone is accidentally disconnected during the meeting and the proceedings thereof shall be deemed to be as valid as if the telephone had not been disconnected;
- (v) all information and documents are made equally available to all participants prior to or at/during the meeting; and
- (vi) minutes of the proceedings shall be sufficient evidence thereof and of the observance of all necessary formalities if certified by both the Chairman and the Secretary of the Committee.



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The Audit Committee shall meet with the external auditors, excluding the attendance of other Directors and employees of the Group, at least twice a year or whenever deemed necessary.

The Audit Committee may also meet with the internal auditors, excluding the attendance of other Directors and employees of the Group, at least twice a year or whenever deemed necessary.

Notice of meeting and board papers shall be given to all members of the Audit Committee at least fourteen (14) days and seven (7) days respectively before the date of meeting.

The Secretary shall discuss with the Senior Management and Managing Director on the agenda item. The final agenda for the meeting will be approved by the Committee's Chairman or in his absence, by any one of the Committee's members. The Secretary will inform/remind the relevant head of department to submit their report/materials on presentation to him/her at least eight (8) days before the date of meeting. In the case where the subject matter/agenda item is sensitive or otherwise confidential or in a state of flux, the report/materials/paper shall be directly circulated/presented at the meeting.

In the absence of the Chairman at the meeting, members present at the meeting shall elect any member who is an independent non-executive director to chair the meeting.

Minutes of each meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and shall be accepted as prima facie evidence without further proof of the facts stated therein. Such minutes shall be kept by the Secretary.

Any such resolution may consist of several documents in like form, each signed by one (1) or more members. Any such resolution may be accepted as sufficiently signed by a member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message purporting to include a signature of the member, followed by the original copy to be delivered to the Secretary of the Committee as soon as possible.

### **4. FREQUENCY OF MEETINGS**

The Audit Committee shall meet as and when the need arises provided that it shall meet at least four (4) times a year. The Audit Committee member, the management, internal and external auditors may request for a meeting if they consider that one is necessary.

Internal Audit Manager/Advisers and Senior Finance Manager are normally invited to attend the meetings. Other members of the Board, employees and representative of external auditors shall attend the meetings upon invitation of the Audit Committee.



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### **5. AUTHORITY**

The Audit Committee is authorised by the Board on the following:

- (a) investigate any activity/matter within its terms of reference and shall have unrestricted access to all employees of the Group;
- (b) have the resources which are required to perform its duties as set out in its terms of reference;
- (c) seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee;
- (d) have direct communication channels with the external auditors and internal auditors;
- (e) obtain external legal or other independent professional advice and to secure the attendance of external advisers with relevant experience and expertise, if it considers this is necessary;
- (f) convene meetings with external auditors, excluding the attendance of other Directors and employees of the Group at least twice a year, and to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders; and
- (g) convene meetings with the internal auditors, excluding the attendance of other Directors and employees of the Group, at least twice a year or whenever deemed necessary.

Where the Audit Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of Main Market Listing Requirements of Bursa Securities, the Audit Committee has the responsibility to promptly report such matter to Bursa Securities.

Notwithstanding anything to the contrary hereinbefore stated, the Audit Committee does not have executive powers. The Chairman of the Audit Committee shall be reporting to the full Board from time to time its recommendations for consideration and implementation and the actual decision shall be the responsibility of the Board after considering the recommendation of the Audit Committee.

### **6. FUNCTIONS AND DUTIES**

- (a) to review with the external auditors the audit plan, their audit report, major findings and management's responses thereof and to ensure co-ordination where more than one (1) audit firm is involved;
- (b) to review the external auditors' evaluation of the systems of internal controls;



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- (c) to consider the nomination, appointment (and re-appointment), resignation and dismissal of the external auditors;
- (d) to assess the competence, audit quality and resource capacity of the external auditors in relation to the audit, including to consider information presented in the Annual Transparency Report of the audit firm (if applicable) or to consider engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
- (e) to consider whether there is reason (supported by grounds) to believe that the external auditors of the Group are not suitable for re-appointment;
- (f) to assess suitability, objectivity and independence of external auditors to safeguard the quality and reliability of audited financial statements;
- (g) to review the appropriateness of audit fees to support a quality audit;
- (h) to conduct annual evaluation on the performance of the external auditors and undertaking follow-up measures, where required;
- (i) to approve non-audit services before they are rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees, to avoid situations where the audit firm inadvertently assumes the responsibilities of management in the course of providing non-audit services which may be a breach of the independence requirements on the part of the audit firm.
- (j) to obtain written assurance from the external auditors 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 requirements;
- (k) to review the assistance given by the Group's employees to both the internal and external auditors;
- (l) to review the quarterly and annual financial statements of the Group, focusing on the matters set out below, and thereafter to submit them to the Board:
  - any changes in or implementation of accounting policies and practices;
  - significant matters highlighted including financial reporting issues, significant judgments made by managements, significant and unusual events or transactions, and how these matters are addressed;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other regulatory requirements;



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- (m) to review any related party transactions and conflict of interest situation that arose, persist or may arise within the 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;
- (n) to consider the internal audit plans, reports, major findings and management's responses thereto on any internal investigations carried out by the internal auditors and ensure that appropriate action is taken by management in respect of the audit observations and the Audit Committee's recommendations;
- (o) to review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (p) to review the appraisal or assessment of the performance of the staff in the Internal Audit Function;
- (q) to approve the appointment or termination of senior executives in the Internal Audit Function. Be informed of any resignation of executives in the Internal Audit Department and to provide the resigning executive an opportunity to submit his or her reason for resigning; and
- (r) to review any other functions as may be agreed to by the Audit Committee and the Board as may be required or empowered by statutory legislation or guidelines prepared by other relevant governing authorities.

### **7. REVIEW OF THE COMPOSITION OF THE AUDIT COMMITTEE**

The term of office and effectiveness of the Audit Committee and each of the members shall be reviewed by the Nomination Committee annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.