

## **Terms of Reference for Audit Committee**

### **1. MEMBERSHIP**

The Board should establish an audit committee of at least three directors, a majority of whom must be independent Non-Executive Directors with written terms of reference which deal clearly with its authority and duties. All members of the Committee should be Non-Executive Directors of the Company and all members of the Committee should be financially literate. At least one member of the Committee:-

- must be member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of 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 of the associations of accountants specified in Part II of the 1st Schedules of the Accountants Act, 1967; or
  - fulfills such other requirements as prescribed or approved by the Exchange.

The members of the Committee shall elect the Chairman from among their number who shall be an Independent Non-Executive Director. The alternate director shall not be a member of the Audit Committee.

If a Member of the Committee for any reason ceases to be a Member of the Committee with the result that the number of Member is reduced below (3), the Board shall within three (3) months of that event, appoint such number of new Member as may be required to make up the minimum number of three (3) Members.

### **2. ATTENDANCE AT MEETINGS**

The finance director, representatives of the internal auditor and external auditors will be invited to some of the Audit Committee Meetings. Other board members and employees may attend any particular Audit Committee meeting only at the Audit committee's invitation, specific to the relevant meeting. At least twice a year, the Committee shall meet with external auditors without the presence of the Executive Directors. The Company Secretary shall be the secretary of the Committee.

### **3. FREQUENCY AT MEETINGS**

Meetings will be held not less than four times a year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors. The external auditors may request a meeting if they consider that one is necessary. The quorum for any meeting shall be two and the majority members of the Committee present must be Independent Non-Executive Directors.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the chief executive officer, the finance director, the head of the internal audit and the external auditors in order to be kept informed of matters affecting the Company.

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

In the event of any vacancy in an audit committee resulting in the non-compliance of Rule 15.09(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a listed company must fill the vacancy within 3 months.

#### **5. AUTHORITY**

The Committee is authorised by the Board to investigate any activity within its terms of reference, the resources it needs to do so and full access to information pertaining to the Company. The Committee should have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and be able to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. The Committee should be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed company, whenever deemed necessary. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

#### **6. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall include:-

- a) to consider the appointment/nomination/suitability of the external auditors, their audit fees and any question of their resignation or dismissal and to recommend to the Board.
- b) to discuss with the external auditors before the audit commences, the nature and scope of their audit, their evaluation of the system of internal accounting controls and to ensure co-ordination where more than one audit firm is involved.
- c) 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 management where necessary).
- d) to keep under review the effectiveness of internal control system and, in particular, review external auditors' management letter and management's response.
- e) to do the following, in relation to the internal audit function
  - review the adequacy of the scope, functions, competency and resources of the internal audit functions, and to ensure that it has the necessary authority to carry out its work;
  - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;

- approve any appointment or termination of senior members of the internal audit function; and
  - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- f) to review the quarterly results and year-end financial statements of the Company and the Group, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:-
- public announcements of results and dividend payment;
  - any changes in or implementation of major accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - compliance with accounting standards;
  - compliance with Bursa Securities and legal requirements; and
  - significant and unusual events.
- g) to consider/review any related party transactions and conflict of interest situation that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- h) to consider the major findings of internal investigations and management's response and ensure co-ordination between the internal and external auditors.
- i) to review and verify the allocation of share options granted to employees pursuant to the Employees share option scheme, transactions, procedure or course of conduct that raises questions of management integrity.
- j) to review with the external auditor, his audit report.
- k) to review with the external auditor the assistance given by the employees of the Company.
- l) to review with the Board of Directors of the Company whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.
- m) to consider/carry out such other functions and consider other topics, as may be agreed upon by the Board.

## **7. REPORTING PROCEDURES**

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.