

## 1. Objectives

The primary function of the Audit Committee (“AC” or “Committee”) is to assist the Board in fulfilling the following oversight objectives on the Group’s activities:

- Assess the Group’s processes relating to its risks, governance and control environment;
- Oversee financial reporting;
- Evaluate the internal and external audit processes;
- Overseeing the risk management framework of the Group;
- Reviewing and recommending an appropriate risk management strategy so as to ensure that business risks are effectively addressed by the Group;
- Reviewing the adequacy and completeness of the Group’s risk management process and recommending improvements where required.

## 2. Composition of AC

The Board shall elect and appoint Committee members from amongst their numbers comprising not less than three (3) Directors, all must be non-executive Directors, with a majority of them being independent Directors and the members shall not:

- be Executive Directors of the company or any related corporations;
- comprise of a spouse, parent, brother, sister, son or adopted son, daughter and adopted daughter of an Executive Director of the Company or any related corporations, or;
- comprise of persons having a relationship which in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the function of the Audit Committee.

At least one (1) member of the Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he or she is not member of the Malaysian Institute of Accountants, he or she must have at least three (3) years working experience and:
  - he or she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - he or she must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- fulfills such other requirements prescribed or approved by the Exchange.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3) or resulting in the non-compliance of the listing requirement of the Exchange pertaining to composition of audit committee, the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive Director. All members should be financially literate. No alternate Director of the Board shall be appointed as a member of the Committee.

### **3. Secretary to AC**

The Company Secretary shall be appointed Secretary of the Committee (“the Secretary”) or in her absence, another person authorised by the Chairman of the Committee. The Secretary, in consultation with the Chairman, shall draw up an agenda for the meeting. The Secretary shall be responsible for keeping the minutes of the meeting of the Committee and the minutes shall be circulated to members of the Board.

### **4. Meetings**

The Committee shall meet at least four (4) times a year or more frequently as circumstances shall dictate. The Chairman of the Committee will highlight any major issues and any items requiring resolution by the Board.

In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the management of internal or external auditors to consider any matters within the scope and responsibilities of the Committee.

The Chairman of the AC should engage on a continuous basis with senior management, such as the Chairman of the Board, Group MD, Group Chief Financial Officer, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the company.

### **5. Reporting Procedures**

The agenda together with relevant explanatory papers and documents shall be circulated to the Committee members prior to each meeting. The Secretary shall be responsible for keeping the minutes of the meeting of the Committee, circulating them to all members of the Board.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

## **6. Meeting Procedures**

The Committee shall regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice to be given to such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

## **7. Quorum**

A quorum shall consist of 2 Committee members; however it must be made up of a majority of independent Directors.

## **8. Attendance by Invitation**

The Group MD, Group GM, Group CFO, the Head of Internal Audit and the representative of the External Auditors should normally be invited to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations in any particular meeting. However, the Committee should meet with the External Auditors without Executive Board members and management present at least once a year.

## **9. Rights of the External Auditors**

The External Auditors have the right to appear and be heard at any meeting of the Committee and their representative shall appear before the AC when required to do so by the Committee.

## **10. Authority of the AC**

The Audit Committee should:

- Have authority to seek any information it requires from employees or investigate any activity within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to all information, documents and officers of the Company and the Group for the purpose of discharging its functions and responsibilities;

- Have direct communications channels with the internal and external Auditors and senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.
- Be able to obtain outside legal or other independent professional advice as it considers necessary at the expense of the Company; and

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirement, the Committee shall promptly report such matter to the Bursa Securities.

## **11. Duties and Responsibilities**

The duties and responsibilities of the Committee shall be:

- To review the Company's and the Group's quarterly results and annual financial statement before submission to the Board, focusing on:
  - Any changes in or implementation of accounting policies and practices;
  - Major judgment areas;
  - Significant adjustments proposed by the external auditors;
  - Going concern assumption;
  - Compliance with accounting standards;
  - Compliance with stock exchange and legal requirements; and
  - Significant and unusual events
- To review with the external auditors their audit plan, scope and nature of audit for the Company and the Group, their evaluation of the system of internal control, their audit report, audit findings, their management letter and management's response including previous audit findings and recommendations as well as the assistance given by the Company's employees to the external auditors;
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- 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);
- To perform the following, in relation to the internal audit function:

- 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;
  - Review the internal audit programme and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function;
  - Review the internal audit plan, consider the major findings of the internal audits, internal or fraud investigations and actions and steps taken by management in response to audit findings;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointment or termination of senior staff members of the internal audit function; and
  - Take cognisance of resignations/transfer of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- To review any related parties transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions or management integrity;
  - To consider the appointment of the external auditors and to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment, to consider the nomination of a person or persons as external auditors and the audit fees, the terms of reference of their appointment, and any question of resignation or dismissal;
  - To review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
  - To verify the allocation of option granted pursuant to the Employee Share Option Scheme;
  - To report to the Board its activities, significant results and findings;
  - To review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Bursa Securities Listing Requirements and other legislative and reporting requirements.
  - To promptly report such matter to the Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;

- To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation; and
- To direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- To undertake any such responsibilities as may be agreed by the Committee and the Board.

## **12. Review**

The terms of reference will be subjected to review from time to time by the Committee and the Group MD, and any amendments are to be approved by the Board before becoming effective.