



INCORPORATED BERHAD

Registration No.: 196201000416 (4887-M)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Constitution

The Board of Directors resolved to establish a Committee of the Board to be known as the Audit Committee on 13 July 1994. The terms of reference of the Audit Committee shall be as follows:

Composition of the Audit Committee

The Audit Committee (“the Committee”) shall be appointed by the Board from among its Directors (except alternate directors) and shall fulfil the following requirements:

- (a) the Committee must be composed of no fewer than three (3) members;
- (b) all the Committee must be non-executive directors, with a majority of them being independent directors; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:
 - (a) he must have passed the examinations specified in Part 1 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) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- (d) No former key audit partner of the Company’s external auditors firm shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years.
- (e) The Chairman of the Committee shall be an Independent Director and be elected from amongst their members. The Chairman of the Committee shall not be the Chairman of the Board. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board. The Board shall, within three (3) months of any vacancy occurring in the Committee which results in the non-compliance of the composition of the Committee appoint such number of new members as may be required to comply with the required composition.

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Rights and Authority

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company and the Group, their records, properties and personnel;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain external legal or other independent professional advice as necessary;
- (f) be able to convene meetings with the external auditors, without the attendance of any executive members of the Committee, and if appropriate, the Secretary, whenever deemed necessary; and
- (g) authorise an investigation where there is possible fraud, illegal acts or suspected violation of the Code of Conduct and Business Ethic involving Senior Management or members of the Board.

Functions

The functions of the Committee shall include the following:

External Audit

- (a) review the following and report the same to the Board:
 - (i) with the external auditor, the audit plan, the scope and extent of the external auditor's audit examinations before commencement of audit;
 - (ii) with the external auditor, the nature and scope of the audit and ensure co-ordination where more than one audit firm are involved;
 - (iii) with the external auditor, his evaluation of the system of internal controls;
 - (iv) with the external auditor, his audit report, problems and reservations arising from the audit and any matters the external auditors wish to discuss (in the absence of the Company's management where necessary), management letter and management's response;
 - (v) the assistance given by the employees of the Company to the external auditor;

TERMS OF REFERENCE OF AUDIT COMMITTEE

Functions

External Audit

- (vi) the quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:
 - whether the financial statements taken as a whole provide a true and fair view of the Group's financial position and performance;
 - 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 accounting standards and other legal requirements; and
 - the going concern assumption
- (vii) any letter of resignation from the external auditors of the Company; and
- (viii) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- (b) to recommend the nomination of a person or persons as external auditors and to consider the re-appointment of the external auditors, their audit fees and any question of resignation or dismissal.
- (c) assess the performance of the external auditors including assessment on their suitability, objectivity and independence on an annual basis.
- (d) consider the appropriateness of audit fees paid to external auditors.
- (e) approve non-audit services to be rendered by the external auditors and its affiliates before such services are rendered, taking into account the nature and extent of the services and the appropriateness of the level of fees.
- (f) obtain written assurance from the external auditors confirming their independence throughout their audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- (g) communicates its insights, views and concerns about relevant transactions and events to the external auditors.
- (h) ensure the Committee's concerns on matters that may have an effect on the financial or audit of the Company are communicated to the external auditors.
- (i) ensure co-ordination between the internal and external auditors.



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Functions

Internal Audit and Risk Management

- (a) Review the adequacy of the scope, functions, budget, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work and is able to function independently;
- (b) Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (c) Assess the performance of the internal auditors including assessment on their suitability, objectivity and independence on an annual basis.
- (d) Monitor systems and procedures with the external and internal auditors to ensure that the existing level of internal control, asset protection and management information are satisfactory and effective.
- (e) Evaluate the risk assessment processes, its adequacy and effectiveness and measures in place are adequate to minimise any exposures to risks including frauds.
- (f) To monitor the Group's operations via internal audit reports to ascertain the efficiency and effectiveness of the Group's operations.
- (g) Consider and approve all decisions regarding the appointment, resignation or removal of the internal auditor and to carry out an annual assessment on the suitability and performance of the internal auditor.
- (h) Communicates its insights, views and concerns about relevant transactions and events to the external auditors.

Others

- (a) Any related party transaction 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.
- (b) Verify the allocation of options to employees pursuant to a share issuance scheme at the end of each financial year to ensure compliance with allocation criteria.

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Meetings of the Committee

- (a) The Committee shall meet at least four (4) times a year and as and when deemed necessary for the discharge of its responsibilities.
- (b) The Committee shall meet with the external auditors without executive board members present at least twice a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Audit Committee.
- (c) The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable.
- (d) The quorum for a meeting of the Committee shall be two (2) Provided Always that the majority of members present must be independent directors and any decision shall be by a simple majority.
- (e) The members of the Committee shall elect a Chairman from amongst their members who shall be an Independent Director.
- (f) The Secretary of the Committee shall be the Company Secretary or their nominee or any other person so appointed by the Committee from time to time.
- (g) The Committee may invite any person to be in attendance at a meeting to assist in its deliberations.

Voting

Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

Resolutions in Writing

A resolution in writing, signed by a majority of the Committee members who are Independent Non-Executive Directors, 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.

Review of the Policy

The Committee shall review and assess the effectiveness and continued relevance of this Terms of Reference as and when necessary. Any revisions to the Terms of Reference as recommended by the Committee shall be submitted to the Board for consideration and approval.