



SENTORIA GROUP BERHAD

(Company No. 463344-K)

AUDIT COMMITTEE TERMS OF REFERENCE

Approved by the Board on 6 January 2017

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. Composition

- (1) The Audit Committee shall be appointed by the Board from amongst the Directors of the Company which fulfils the following requirements:
 - (a) the Audit Committee must comprised not fewer than three (3) members;
 - (b) all Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors;
 - (c) at least one (1) member of the Audit Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
 - (aa) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he/she must be a member of one of the associations of accountants specified in Part II of 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed in the Main Market Listing Requirements; and
 - (d) no Alternate Director shall be appointed as an Audit Committee member.
- (2) The members of the Audit Committee shall elect a Chairman among themselves who shall be an Independent Director.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.
- (3) In the event of any vacancy in an Audit Committee resulting in the non-compliance of the above (1) and (2), the Company must fill the vacancy within three (3) months.

- (4) All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The nominating committee must review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

B. Secretary

The Company Secretary/ies of the Company or such substitute as appointed by the Board from time to time shall act as the Secretary of the Audit Committee.

C. Duties and Responsibilities

The main duties and responsibilities of the Audit Committee shall be:

- (1) Review the following with external auditors and report the same to the Board:
 - (i) audit plans, audit reports, major findings and management's responses thereon;
 - (ii) evaluation of the system of internal controls;
 - (iii) audit fees, including the monitoring and approval of all non-audit services;
 - (iv) matters concerning the nomination, appointment (and re-appointment), resignation or dismissal of external auditors as well as the external auditors' independence, objectives and effectiveness, taking into consideration their relevant professional and regulatory requirements;
 - (v) the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved before the audit commences;
 - (vi) the assistance given by the Group's employees to the external auditors;
 - (vii) to consider and approve the non-audit services provided by the external auditors subject to the confirmation by the external auditors that such non-audit service(s) does not impair the independence of the external auditors.

- (2) Review the following in relation to the internal audit function:
- (i) 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;
 - (ii) the internal audit plans and programmes, processes, the results of the internal audit assessments, processes or investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function;
 - (iii) any appointment or termination of the internal auditors, appraisal and assessment of the performance of the internal auditors. If internal audit members are employed in-house, to take cognisance of all resignations and provide the resigning internal audit member to submit his reasons for resigning; and
 - (iv) the assistance given by the Group's employees to the internal auditors and co-ordination of the internal auditors with the external auditors.
- (3) Review, manage and monitor risks that could potentially impact the Group and to oversee the implementation of risk governance on behalf of the Board by:
- (i) approving the Board's acceptable risk appetite;
 - (ii) evaluating the principal risks and ensuring that these risks are appropriately communicated to management;
 - (iii) establishing in general, the risk management and control policies for the Group;
 - (iv) ensuring that the Group has implemented an effective ongoing process to identify risk, to measure the potential impacts against a broad set of assumptions, and then to activate what is necessary to proactively pre-empt or manage these risks; and
 - (v) ensuring timely and regular receipt of reports from management of principal risks and that appropriate follow-up measures are implemented on a timely basis.
- (4) Review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-
- (i) changes in or implementation of major accounting policy changes;
 - (ii) 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

- (iii) going concern assumption; and
 - (iv) compliance with accounting standards, listing and other legal requirements.
- (5) Review and monitor any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
 - (6) Oversee the Group's internal control structure to ensure operational effectiveness and efficiency, reduced risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance.
 - (7) Discuss problems and reservations arising from the audits and any matters the external auditors may wish to discuss in the absence of the management and/or executive board members where necessary.
 - (8) Consider the major findings of internal investigations and management's responses.
 - (9) To report breaches of the Main Market Listing Requirements which have not been satisfactorily resolved, to Bursa Securities.
 - (10) Consider any other matters as directed by the Board.

D. Rights

In performing of its duties and responsibilities, the Audit Committee shall:

- (1) have the 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 Group;
- (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 at the expense of the Company and to invite outsiders with relevant experience and expertise to attend the Audit Committee meetings (if required) and to brief the Audit Committee; and
- (6) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

E. Procedure of Meetings

(1) Frequency of Meetings

The Audit Committee will meet at least **four (4)** times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.

(2) Calling of Meetings

Any member of the Audit Committee may at any time, and the Chief Financial Officer and the Secretary shall on the requisition of any member of the Audit Committee or the external auditors, summon a meeting.

Audit Committee meetings may be held at two (2) or more venues within or outside Malaysia using any technologies that enable the Audit Committee members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting. A minute of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates.

(3) Notice of Meetings

Except in the case of an emergency meeting, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the member either personally or by fax or e-mail or by post or by courier to his registered address as appearing in the Register of Directors, as the case may be.

(4) Quorum for Meetings

The quorum shall consist of a majority of Independent Directors and shall not be less than **two (2)** members.

(5) Attendance at Meetings

The Chief Financial Officer, the Head of Internal Audit and a representative of the external auditor should normally attend the meetings. Other Board members may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee should meet with the external auditors and internal auditors or both without Executive Board members present at least **twice (2)** a year.

(6) Voting at Meetings

A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote.

(7) Keeping of Minutes of Meetings

Minutes of each meeting shall be signed by the chairman of the meeting at which the proceedings were held and kept as part of the statutory records of the Company and a copy shall be distributed to each member of the Audit Committee and the Board.

(8) Custody, Production and Inspection of Minutes of Meetings

The minutes shall be kept by the Company at the Registered Office or the principal place of business in Malaysia of the Company, and shall be open to the inspection of any member of the Audit Committee without charge.