

AUDIT COMMITTEE: TERMS OF REFERENCE

1. PURPOSE

The purpose of the establishment of Audit Committee (“AC” or “Committee”) is to assist the Board of Directors in discharging its responsibilities to safeguard the Company’s assets, maintain adequate accounting records, develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC also provides a channel of communication between the Board of Directors, Management, External Auditors and Internal Auditors.

2. COMPOSITION AND SIZE

The members of the AC should be appointed by the Board of Directors based on the recommendation of the Nomination Committee from amongst the Directors of the Company who fulfil the following requirements:

- (i) the AC must be composed of no fewer than 3 members;
- (ii) all Committee Members must be Non-Executive Directors, with a majority of them being Independent Directors;
- (iii) all Committee Members should be financially literate; and
- (iv) at least one member of the AC must fulfill the expertise requisite of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“LR”) as follows:
 - (a) he must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) if he is not a member of the MIA, he must have at least 3 years’ working experience and:
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (c) fulfils such other requirements as prescribed or approved by the Bursa Securities.

In the absence of a Nomination Committee, the Board appoints the AC Members from amongst its number.



The Board of Directors must ensure that no Alternate Director is appointed as a Committee Member.

In the event of any vacancy in the Committee resulting in the non-compliance of the LR pertaining to composition of AC, the Board of Directors must fill the vacancy within 3 months of the occurrence of that event.

The Board of Directors should assess the effectiveness of the AC and each of its Members at least once every 3 years to determine whether such Committee and Members have carried out their duties in accordance with their Terms of Reference.

3. CHAIRMAN

The Board of Directors or members of the AC must elect a Chairman among Committee members who is an Independent Non-Executive Director.

In the absence of the Chairman of the AC in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

The Chairman of the AC should assume, amongst others, the following responsibilities:

- (i) Planning and conducting meetings;
- (ii) Overseeing reporting to the Board of Directors;
- (iii) Encouraging open discussion during Meetings; and
- (iv) Developing and maintaining an active on-going dialogue with Senior Management and both the Internal and External Auditors.

4. SECRETARY

The Company Secretary shall be the Secretary of the AC or in his/her absence, the Chairman of the Committee or chairman of the Meeting shall choose another person as the secretary of the Meeting.

5. MEETINGS

- (i) The AC should meet at least 4 times in each financial year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.
- (ii) Sufficient time must be allocated to thoroughly address all items in the Agenda and for all parties involved to ask questions or provide input.
- (iii) The quorum shall comprise of a majority of the Independent Non-Executive Directors.
- (iv) The AC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a

meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

- (v) The Finance Director, Chief Financial Officer, the Internal Auditors and External Auditors should normally attend the Meetings. Other Board Members may attend any particular meeting only at the Committee's invitation.
- (vi) The AC should meet with the External Auditors without the presence of the executive Board Members and employees at least twice a year and whenever deemed necessary.
- (vii) Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the AC must convene a Meeting to consider any matter the Internal Auditors and/or External Auditors believe should be brought to the attention of the Board of Directors or the Shareholders.
- (viii) The Minutes of each Meeting shall be made available to all members of the Board upon request.
- (ix) The Board of Directors should be kept aware of the Committee's activities by way of the Committee Minutes being circulated together with the board meeting papers.
- (x) A resolution in writing signed or approved via letter, telex or facsimile by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

6. RIGHTS

- (i) The AC should have explicit authority to investigate any matter within its Terms of Reference, the resources to do so and full access to information.
- (ii) Each Committee Member has full and unrestricted access to information and is entitled to ask for further information required to make informed decisions and has right to obtain independent professional or other advice for the performance of its duties.
- (iii) The AC may use the services of outside experts or advisors and invite outsiders with relevant experience to attend Meetings, if necessary, at the cost of the Company in accordance with a procedure to be determined by the Board of Directors towards performance of its duties.
- (iv) The AC must have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any, which can be outsourced).

- (v) The Committee must be able to convene Meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

7. RESPONSIBILITIES AND HOW THE COMMITTEE WORKS

- (i) The Terms of Reference of AC should be reviewed by the Committee annually and updated as appropriate. The Committee should recommend any change to the Terms of Reference to the Board of Directors for approval. The annual review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the AC's responsibilities.
- (ii) The AC is responsible for:
 - (a) assessing the risks and control environment;
 - (b) overseeing financial reporting;
 - (c) evaluating the internal and external audit process;
 - (d) reviewing conflict of interest situations and related party transactions;
 - (e) reviewing the quarterly results and year end financial statements, before submission to the Board of Directors for approval, focusing particularly on:
 - (i) changes in or implementation of major accounting policies and practices;
 - (ii) major risk areas;
 - (iii) significant and unusual events;
 - (iv) significant adjustments resulting from the audit; and
 - (v) compliance with accounting and financial reporting standards, LR and other legal requirements.
 - (f) reviewing the following with the External Auditors and reporting the same to the Board of Directors:
 - (i) the audit plan;
 - (ii) the audit report;
 - (iii) evaluation of the system of internal controls;
 - (iv) Letter to Management and the Management's response;

- (v) the assistance given by the employees to the External Auditors; and
 - (vi) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's and the Group's operating results or financial position, and Management's response.
 - (g) reviewing the following with the Internal Auditors and reporting the same to the Board of Directors:
 - (i) the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its functions according to the standards set by recognized professional bodies and work effectively; and
 - (ii) the internal audit programme, processes, the results of the internal audit programme, processes, appraisals of the effectiveness of the governance, risk management and internal control processes within the Company or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
 - (h) undertaking such other reviews and projects as may be requested by the Board of Directors, and reporting to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC.
 - (i) establishing procedures for receipt, retention and treatment of complaints received by the Company and the Group regarding inter alia, criminal offences involving the Company and the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Company and the Group.
 - (j) monitoring, reviewing and assessing that the utilisation of proceeds is consistent with the intention presented to investors for any fund raising exercise.
 - (k) considering and recommending the appointment or re-appointment of the Internal and External Auditors and matters relating to the resignation or dismissal of the auditors.
 - (l) reviewing any resignation letter from the External Auditors.
 - (m) undertaking such other functions and duties as may be required by statute or the LR, or by such amendments as may be made thereto from time to time.
- (iii) Where the AC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the LR, the Committee must promptly report such matter to Bursa Securities.

8. RISK MANAGEMENT RESPONSIBILITIES

8.1 Objectives

- To ensure that a risk management framework is embedded throughout the Company;
- To ensure that the risk management framework is consistently adopted throughout the organisation and is within the parameters established by the Board; and
- To ensure compliance with external requirements such as Bursa Securities' Statement of Internal Control – Guidance for Directors of Public Listed Companies.

8.2 Authority and Scope

Whilst the Board still retains the ultimate responsibility for risk management and for determining the appropriate level of risk appetite, the Audit Committee is established to provide assurance concerning the Company's risk profile to the Board.

The Board has delegated authority to the Audit Committee with a remit that encompasses risk management activities within the Company including compliance with the risk management framework. The Audit Committee reports to the Board.

8.3 Roles and Responsibilities

The Audit Committee advises the Board and makes recommendations with respect to the adequacy of the Company's approach in identifying and managing risks. Specific responsibilities include:

- (i) Establishing risk management structure:
 - Formalising Risk Management Policy & Procedures; and
 - Ensuring that the Company's risk management framework has been implemented and is consistently applied.
- (ii) Establishing risk management processes:
 - Ensure that there is a structured and systematic process for identifying, evaluating and managing risks facing the Company; and
 - Receiving reports on the outcome of the risk assessment exercises and reviewing the results to ensure alignment with the Company's risk management policy.
- (iii) Embedding risk management process & culture throughout the Company:
 - Ensure Risk Management Policy & Procedures is clearly communicated to relevant personnel of the Company; and

- Ensuring that appropriate training in risk management is conducted at key levels to create and reinforce awareness.
- (iv) Establishing reporting and monitoring mechanism:
- Ensure that appropriate reporting and feedback is received from the Management on a half-yearly basis with regard to risk management activities carried out;
 - Being responsible for reporting the Company's Risk Profile to the Board on half-yearly basis; and
 - Being responsible for reporting immediately to the Board on any major changes to the risk profile that requires immediate attention.