

AUDIT COMMITTEE TERMS OF REFERENCE

Purpose

The Audit Committee is established as a committee of the Board of Directors. The primary objectives of the Audit Committee are to:

1. Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities to review the Company and its subsidiaries (“the Group”) and monitoring the Group’s management of business/financial risk processes and accounting and financial reporting practices;
2. Determine that the Group has adequate administrative, operational and internal accounting controls and that the Group is operating in accordance with its prescribed procedures, codes of conduct and applicable legal and regulatory requirements;
3. Serve as an independent and objective party in the review of the financial information presented by management for distribution to shareholders and the general public; and
4. Provide direction and oversight over the internal audit function and the external auditors to enhance their independence from management.

Membership

The Audit Committee must have at least three members. All the members must be non-executive directors and financially literate with a majority of them being independent directors. The chairperson of the Committee shall be an independent director.

At least one member of the Committee, preferably an independent director, must meet the criteria set by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) (Paragraph 15.09(1)(c)).

Audit Committee members and the chairperson must be appointed by the Board based on the recommendations of the Nomination Committee. No alternate directors shall be appointed to the Audit Committee.

If a member of the Committee resigns, dies or for any reason ceases to be a member resulting in non-compliance with the above paragraphs, the Board must, within three (3) months of that event, appoint such number of new members as may be required.

The Audit Committee shall have no executive powers.

Committee’s Operating Principles

The Audit Committee wherever necessary and reasonable for the performance of its duties, shall in accordance with the procedures determined by the Board and at the cost of the Group:

1. Have 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 internal auditors;
5. Be able to obtain independent professional advice or other advice; 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 Company, whenever deemed necessary.

Meetings

The Committee shall meet at least four (4) times each year. Additional meetings shall be scheduled as considered necessary by the Committee or chairperson. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.

The Committee may request other directors, members of management, counsels, internal auditors and external auditors, as applicable to participate in Committee meetings, as necessary, to carry out the Committee’s responsibilities. It shall be understood that either internal or external auditors, may, at any time, request a meeting with the Audit Committee with or without management attendance.

The external auditors shall be given notice of meetings and shall have the right to attend and speak.

At least twice a year, the Committee shall meet with the external auditors without the presence of executive Board members.

The Secretary of the Committee shall be appointed by the Committee from time to time. Committee meeting agendas shall be the responsibility of the Committee chairperson with input from Committee members. The chairperson may also ask management to participate in this process. The agenda for each meeting shall be circulated at least five days before each meeting to the Committee members, the external auditors and all those who are required to attend the meeting. Written materials including information requested by the Committee from management, internal audit and external auditors shall be received together with the agenda for the meetings.

The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the chairperson of the meeting at which the proceedings were held or by the chairperson of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall also be distributed to all attendees (members) of the Audit Committee meeting and external auditors.

The Committee, through its chairperson, shall report to the Board after each meeting. The minutes of the Committee meeting shall be available to all Board members.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

Scope of Activities

The duties of the Audit Committee shall include the following:

1. To recommend appointment of the external auditors and their fees and consider any questions of resignation or dismissal including whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
2. To review the external auditors' proposed scope and approach before the audit commences and ensure co-ordination where more than one audit firm is involved;
3. To review the quarterly financial announcements and year-end financial statements of the Group, prior to the approval by the Board, focusing particularly on:
 - changes in or implementation of major accounting policies;
 - significant and unusual events;
 - significant adjustments arising from the audit;
 - going concern assumption; and
 - compliance with accounting standards and other legal requirements.
4. To discuss problems and reservations arising from interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary) including assistance given by employees of the Group to the auditor;
5. To review with the external auditors, their evaluation of the system of internal controls, including any significant suggestions for improvements and management's response;
6. To review with the external auditors, their audit report;
7. To review the Group's business risk management process, including adequacy of the Group's overall control environment and controls in selected areas representing significant financial and business risk;
8. To do the following where an internal audit function exists:
 - review 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 work;
 - review the internal audit programme, process and results of the internal audit programme, processes or investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - ensure that the internal audit function is independent of the activities it audits; the internal audit function should be free from interference in determining the scope of internal audit, performing work and communicating results; and
 - ensure that the internal audit function reports directly to the Committee.
9. To review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
10. To review the major findings of internal investigations and management's response;
11. To review management's monitoring of compliance with the Group's code of corporate conduct;
12. To review with the Group's counsels, any legal matters that could have a significant impact on the Group's financial statements;
13. To verify at the end of each financial year, the allocation of options under a share scheme for employees to ensure compliance with the allocation criteria determined by the Remuneration Committee and in accordance with the Bye-Laws of the relevant Option Scheme. A statement by the Committee verifying such allocation shall be included in the annual report;
14. To review the findings of any investigation by regulatory authorities;
15. Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of BMSB's requirements, the Audit Committee must promptly report such matters to BMSB; and
16. Perform other oversight functions as requested by the Board.