

PERAK TRANSIT BERHAD

Registration No.: 200801030547 (831878-V)

AUDIT COMMITTEE - TERMS OF REFERENCE

1. INTRODUCTION

The Board of Directors ("**Board**") of Perak Transit Berhad ("**Company**") has established a committee of the Board known as the Audit Committee ("**Committee**") to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

2. COMPOSITION

The Audit Committee shall be appointed by the Board from amongst their members (who are not alternate directors or executive directors), comprising at least three (3) members who are independent directors. The Chairman of the Board should not be a member of the Committee.

All members of the Audit Committee shall be financially literate and at least one member of the Committee shall be a member of the Malaysian Institute of Accountants or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

No former audit partner of the Company's external audit firm and or the affiliate firm (including those providing advisory services, tax consulting, etc.) shall be appointed as a member of the Audit Committee before first observing a cooling-off period of at least three (3) years.

The members of the Committee shall elect a Chairman from amongst their number.

All members, including the Chairman, will hold office only as long as they serve as Directors of the Company. If for any reason the number of members of the Committee fails to comply with the composition requirements, the Board shall within three (3) months of the event, appoint such number of new member as may be required to fill the vacancy.

All member should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually.

3. AUTHORITY

The Audit Committee shall have the following authority in accordance with a procedure to be determined by the Board and at the expense of the Company:

- (a) Review and investigate or authorise investigations into any matters or activities pertaining to the Company and its subsidiaries (collectively, the "**Group**") within its terms of reference.
- (b) Obtain the resources and can seek outside legal or other independent professional assistance if it consider necessary to perform its duties.
- (c) Have full, free and unrestricted access to any information pertaining to the Group in carrying out its duties.

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- (d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- (e) Convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Audit Committee shall review, appraise and report to the Board on:

- (a) The effectiveness of accounting, financial reporting, enterprise risk management and internal control system within the Company and the Group.
- (b) The propriety of the accounting policies and practices adopted by Management and accepted by the external auditors, where alternatives are also acceptable.
- (c) The adequacy of the scope of the external auditors' audit plan, their evaluation of the system of internal controls and the audit reports on the financial statements.
- (d) 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.
- (e) The nomination, appointment and re-appointment of the external auditors and any matters arising from their resignation or dismissal.
- (f) The appointment and termination of internal auditors and any matters arising from their resignation or dismissal.
- (g) The assistance given by the employees of the Company to the external auditors.

4. DUTIES AND RESPONSIBILITIES

The Audit Committee shall:

(a) Financial reporting

Review the quarterly results and year-end financial statements with the management before submission to the Board for approval, focusing particularly on:

- changes in or implementation of major accounting policy changes
- significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed
- compliance with accounting standards and other legal requirements
- the going concern assumption

Review and advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance and ensure the financial statements is in compliance with the regulatory requirements.

(b) External audit

Discuss the following with the external auditors before the audit commences:

- the audit plan, its scope and nature
- their evaluation of the system of internal control
- the audit reports on the financial statements
- the assistance given by the Company's officers to the external auditors

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Discuss the outcome of the interim and final audit, and any other matters the external auditors may wish to discuss ensuring that no management restrictions are being placed on the scope of their examinations.

Recommend the nomination of person(s) as external auditors, the appointment, re-appointment of external auditors and their remuneration and to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.

Review and or carry out the annual assessment on the performance, suitability, objectivity and independence of the external auditors based on the established policies and procedures, ie the External Auditors Assessment Policy and consider the following:

- the competence, audit quality and resource capacity of the external auditors in relation to the audit;
- the nature and extent of non-audit services rendered and the appropriateness of the level of fees; and
- obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(c) Internal audit

Review the adequacy of the scope, function, competency and resources and the effectiveness of the internal audit function.

Review the internal audit plan, processes, the results of the internal audit assessment, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

Recommend the appointment of internal auditors and to ensure the internal audit function is independent of the activities which it audits.

Ensure that the internal audit function reports directly to the Committee and the internal auditors have full, free and unrestricted access to any information pertaining to the Group in carrying out its duties.

Discuss the outcome of the internal audit, and any other matters the internal auditors may wish to discuss ensuring that no management restrictions are being placed on the scope of their examinations.

(d) Related party transaction

Ensure that the management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting and monitoring conflict of interest situations and related party transactions.

Review any related party 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 of management integrity.

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(e) Review reports

At the end of each financial year, review the following reports prior to submission to the Board for consideration and approval, for inclusion in the Annual Report of the Company:

- Audit Committee Report
- Corporate Governance Overview Statement

(f) Other matters

Maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.

Report to Bursa Malaysia 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 Listing Requirements of Bursa Malaysia.

Review the terms of reference where necessary in line with changes to the relevant laws, the prevailing corporate governance best practises or other regulatory requirements, to the Board for approval.

5. MEETINGS

(a) Frequency

The Audit Committee shall convene scheduled meetings at least four (4) times a year, with additional meetings to be convened at any time at the Chairman's discretion and if requested by internal or external auditors.

The Chairman of the Audit Committee shall engage on a continuous basis with the Chairman of the Board and key senior management personnel, such as the Managing Director, the Chief Financial Officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Committee may invite other members of the Board, the employees of the company and/or any other persons to be in attendance at each meeting.

(b) Private session with auditors

On a regular basis, the Committee may meet separately with the auditors (internal and external) to discuss any matters that the Committee or the auditors believe should be discussed privately without the presence of executives, whenever deemed necessary.

(c) Agenda

The agenda of each scheduled meeting shall be circulated by the Company Secretary to all members of the Committee at least five (5) days prior to the meeting. Meeting papers should be made available to the members at least three (3) days prior to the meeting.

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(d) Quorum

The quorum for each meeting shall be two (2) members. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to chair the meeting.

(e) Voting

All resolutions arising at the meeting shall be decided by a simple majority vote, each member of the Committee has one vote. In case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

A member of the Committee is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

(f) Secretary

The secretary to the Committee shall be the Company Secretary. The Company Secretary shall be in attendance at each meeting and record the proceedings thereat.

(g) Minutes of meetings

The minutes of meetings shall be confirmed and signed by the Chairman of the meeting as correct proceedings thereat in the next scheduled meeting unless otherwise determined.

Copies of minutes of each meeting shall be distributed to all members of the Committee to ensure proper key actions are acted upon.

The Committee, through its Chairman, shall update the Board the activities undertaken at each Board meeting.

The minutes of meetings shall be kept at the registered office and opened for inspection by the Board if required.

6. CIRCULAR RESOLUTION

A circular resolution in writing, stating the reason(s) to arrive at a decision, signed by a majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting duly convened and constituted. Such resolutions, described as "Audit Committee's Circular Resolutions", shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolutions may consist of several documents in like form, each signed by one or more members.