

## **COMPOSITION OF AUDIT COMMITTEE**

The Audit Committee was formed pursuant to a resolution passed by the Board of Directors on 27<sup>th</sup> November 2003.

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **1. Objective**

The objective of the Audit Committee is to assist the Board in fulfilling its responsibilities for the accounting and internal control systems, the financial reporting procedures, the audit process and compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market.

### **2. Membership**

The Board from among its members shall appoint the Audit Committee that fulfils the following requirements: -

- a) The Audit Committee must be composed of no fewer than 3 members, exclusively non-executive director.
- b) A majority of the Audit Committee members must be independent director.
- c) All members of the Audit Committee should be able to read, analyse and interpret financial statements. At least one of them: -
  - (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: -
    - (aa) he must have passed the examinations specified in Part I of the 1<sup>st</sup> 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 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
  - (iii) fulfils such other requirements as prescribed or approved by the Exchange.

#### Note:

"Other requirements as prescribed by the Exchange" is explained in item 7 of the Guidance Note 9 as "Requisite Qualifications" as follows: -

- (aa) either one of the following qualifications and at least 3 years' post qualification experience in accounting or finance:
  - i. a degree/masters/doctorate in accounting or finance; or
  - ii. a member of any professional accountancy organization which has been admitted as a full member of the International Federation of Accountants;or
- (bb) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation;

- d) The members of the Audit Committee shall elect a Chairman among their number who shall be an independent director.
- e) No alternate director is appointed as a member of Audit Committee.
- f) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new member as may be required to make up the minimum number of 3 members.
- g) No former audit partner of the Company's external auditors shall be appointed to the Audit Committee unless he has observed a cooling-off period of at least 3 years before being appointed as a member of the Audit Committee.

### **3. Meetings**

Meetings shall be held as and when the Audit Committee deems necessary.

A minimum of two members present shall form a quorum, both of whom present shall be Independent Non-Executive Directors. In the event that the Chairman is unable to attend a meeting, a member of the Audit Committee shall be nominated as Chairman of the meeting. The nominated Chairman shall be an Independent Director.

The Committee may invite other directors and employees to the meeting to brief the Audit Committee on issues that are incorporated into agenda.

### **4. Authority**

The Committee shall, in accordance with a procedure to be 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 adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties;
- c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- d) be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and
- e) 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.

### **5. Duties and Responsibilities**

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

- a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;

- b) To review with the external auditors, the audit plan and audit report;
- c) To review with the external auditor, his evaluation of the system of internal controls;
- d) To review the assistance given by the employees of the Company to the external auditor;
- e) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- f) To review the internal audit programme, processes, the results of the internal audit programmed, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- g) To review the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on: -
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements;
- h) To review any related party transaction and conflict of interest situation that may arise within the listed company or group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- i) To review whether there is reason (supported by grounds) to believe that the listed company's external auditor is not suitable for re-appointment.
- j) To verify the allocation of options pursuant to a share scheme for employees at the end of each financial year. (*Paragraph 8.17*)
- k) To review the adequacy and effectiveness of the risk management and internal control framework.