

UNITRADE INDUSTRIES BERHAD
(Registration No. 202101013724 (1414023-X))

AUDIT COMMITTEE

TERMS OF REFERENCE

1. OBJECTIVES

The objective of the Audit Committee (“**AC**” or the “**Committee**”) is to assist the Board of Directors in meeting its responsibilities for the oversight of:-

- the financial reporting process;
- the system of Internal Control;
- the internal and external audit processes; and
- any conflict of interest situations and related party transactions.

In addition, the AC shall:-

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors, including issues pertaining to the internal control within the Company and its subsidiaries (“**Group**”);
- b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- c) Evaluate the internal and external audit processes, including issues pertaining to the internal controls within the Group; and
- d) Determine the adequacy of the Group's administrative, operating and accounting controls.

2. COMPOSITION

The AC shall be appointed by the Board of Directors (“**Board**”) from among its members which fulfills the following requirements:-

- a) The committee must be composed of no fewer than 3 members;
- b) All members of the AC must be independent non-executive directors;
- c) The Chairman of the Board shall not be a member of the Committee;
- d) All members of the AC should be financially literate, competent and are able to understand matters under the purview of the Committee including the financial reporting process.

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- e) At least one member of the AC:-
- (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:-
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - 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
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.
- f) No alternate Director of the Board shall be appointed as a member of the Committee;
- g) For engagement of a former partner of the audit firm as member, to observe a cooling-off period of at least 3 years before being appointed as member of the Committee; and
- h) The appointment of AC member terminates when the member ceases to be a Director, or as determined by the Board.

In the event of any vacancy in the AC (including Chairman) resulting in the non-compliance of item 2 (a) to (e) above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within 3 months of that event.

The Board of Directors must via Nomination Committee review the term of office and performance of the AC and each of its members annually to determine whether the AC and members have carried out their duties in accordance with its Terms of Reference.

3. CHAIRMAN

- a) The Chairman of the Committee shall be an Independent Non-Executive Director elected amongst the members of the AC;
- b) In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst themselves;

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- c) The Chairman together with other members of the AC ensure among others that:-
 - (i) the Committee is fully informed about significant matters related to the Group's audit and its financial statements and addresses these matters;
 - (ii) the Committee appropriately communicate the insight, views and concerns about relevant transactions and events to internal and external auditors;
 - (iii) the Committee's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the external auditor; and
 - (iv) there is co-ordination between internal and external auditors.
- d) The Chairman should engage on a continuous basis with senior management, such as the Chairman of the Board, the Managing Director ("MD"), the Chief Financial Officer ("CFO"), the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

4. MEETINGS

- a.) The Committee shall meet at least 4 times in each financial year on a quarterly basis. Additional meetings may be called at any time, at the discretion of the Chairman. However, the Committee shall meet at least twice annually with the internal auditors and annually with the external auditors without the presence of any executive Board members and the Management.
- b.) The Chairman may call a meeting of the Committee at the request of any committee member, the Company's Managing Director, or the internal or external auditors.
- c.) The quorum for a meeting shall be 2 members of the Committee who are both independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.
- d.) Only members of the Committee have the right to attend Committee meetings. However, the CFO, internal auditors and external auditors lead partners will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

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- e.) By invitation of the Committee, the MD and other appropriate officer(s) may be invited to attend the Committee meeting, where their presence are considered appropriate as determined by the Audit Committee Chairman.
- f.) The Committee members may participate in a meeting of by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- g.) The notice of Committee's meeting shall be given in writing at least seven (7) days prior the meeting except in the case of an emergency. Meeting papers and agenda items are to be circulated at least five (5) business days prior to the meeting. Written materials including Board papers and information requested by AC from Management shall be received together with the agenda for the meetings.
- h.) The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Committee and shall be in attendance at each meeting and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members prior to each meeting.
- i.) An Audit Committee member shall excuse himself/herself from the meeting during discussion or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this cause insufficient directors to make up a quorum, the Committee has the right to appoint another director(s) which meets the membership criteria.
- j.) The Committee may deal with matters by way of circular resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members. Any such document may be accepted as sufficiently signed by an AC member if transmitted to the Company by email, facsimile or other electronic means or digital written message/application to include a signature of an AC member, including but not limited to signing with a platform such as DocuSign.

5. *DUTIES*

The duties of the Committee are as follows:-

External Auditors

- a) To review the following and report the same to the Board of Directors:-

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- (i) the audit plan, nature, scope and plan of the audit before audit commences and ensure co-ordination where more than one audit firm is involved;
- (ii) any significant audit findings, reservations, difficulties encountered or material weaknesses reported;
- (iii) with the external auditors, the audit plan and audit report;
- (iv) the evaluation of the system of internal controls;
- (v) the assistance given by the Company's employees to the external auditors, including any difficulties or disputes with Management encountered during the audit;
- (vi) the annual evaluation of the performance of the external auditors, including the suitability, objectivity and independence of the external auditors which takes into consideration the following and undertaking follow-up measures, where required:-
 - the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - the nature and extent of the non-audit services tendered and the appropriateness of the level of fees; and
- (vii) written assurance from the external auditors confirming that they are, and have been independent through the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirement.
- (viii) To approve non-audit services before they are rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees. The Committee should avoid situations where the audit firm inadvertently assumes the responsibilities of management in the course of providing non-audit services. Such a situation may be a breach of the independence requirements on the part of the audit firm. The non-audit services that cannot be entered into should include:-
 - Management consulting

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- Strategic decision
- Tax Services
- Internal audit
- Policy and standard operating procedures documentation

In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors), state the details on the nature of non-audit services rendered in the Audit Committee's Report.

- b) To nominate and recommend the appointment or re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors, if applicable and report the same to the Board. In considering the appointment or re-appointment of the external auditors, to consider among others¹:-
- (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the Group being audited;
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit;
 - (vi) the firm's reputation and presence in the industry;
 - (vii) qualification and experience of the proposed key audit team members;
 - (viii) the firm's international presence through membership in or affiliation with reputable international accounting networks with member firms capable of auditing the Group's overseas subsidiaries or joint ventures if any;
 - (ix) the firm's audit methodology to be employed in the audit of the Group;
 - (x) the firm's independent quality control review procedures and the approach to audit judgements;

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- (xi) results of recent inspections on the firm by the Audit Oversight Board, the Malaysian Institute of Accountants or other regulatory bodies;
- (xii) the firm's capability to deliver value in ways other than through the provision of statutory audit services; and
- (xiii) the profile of the firm's major clients, including those in the same industry as that of the Group.
- (xiv) To review the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors of all other services.

The Committee is to also consider the performance of the external auditors and its independence inter-alia, as below:-

- (i) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (ii) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
- (iii) the information presented in the Annual Transparency Report² of the audit firm.

If the audit firm is not required to issue an Annual Transparency Report, the Committee is encouraged to engage the audit firm on matters typically covered in Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the audit firm to uphold audit quality and manage risks;

- (iv) the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee;
- (v) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors; and
- (vi) obtaining assurance from the external auditors (written or other modes) confirming that they are, and have been, independent throughout the

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conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Note:

¹ To the extent permissible pursuant to the applicable rules, laws and regulations of each jurisdiction in which the Group operates and the framework adopted by the Group for appointment of statutory auditors for statutory audit and non-audit services.

² Annual Transparency Report is issued by audit firms registered with the Audit Oversight Board (AOB) where (i) the audit firms have more than 50 public interest entity (PIE) audit clients; and (ii) total market capitalisation of the audit firm's PIE clients above RM10 billion at the end of the calendar year for two (2) consecutive years.

- c) To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management, where necessary);
- d) To review the external auditors' management letter and management's response; and
- e) To review the statement of Risk Management and Internal Control for inclusion in the Annual Report.

Internal Audit

- a) To do the following, in relation to the internal audit function:-
 - (i) Review 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) Review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
 - (iii) Review the qualifications, organisation, strategic focus and resources of internal auditors;
 - (iv) Review any appraisal or assessment of the performance of members of the internal audit function;
 - (v) Approve the appointment or termination of the internal auditors;

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- (vi) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning
 - (vii) Investigate or cause to be investigated any activity within its Terms of Reference; and
 - (viii) To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- b) To discuss and review the major findings of any internal investigations and the management's response; and
 - c) To ensure the internal audit function is independent of the activities it audits and the internal auditors report directly to the Audit Committee. The internal auditors should have relevant qualifications and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company and Group.

Related Party Transactions and/or Recurrent Related Party Transactions

- a) Review any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and the framework to be established.
- b) Review conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of Management's integrity; and
- c) Ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

Whistleblowing and fraud

- a) Ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the Chairman of the Board or the Chairman of the Committee, and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to the Board for approval, in accordance with the Group's whistleblowing policy; and
- b) Review the Group's policies and procedures for detecting fraud.

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Financial Reporting

- a) Review the quarterly and year-end financial statements of the Company, before approval by the Board, focusing particularly on:-
 - (i) Any changes in or implementation of major accounting policies changes;
 - (ii) Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
 - (iii) The going concern assumption; and
 - (iv) Compliance with accounting standards and other legal requirements.
- b) Monitor the integrity of the financial statements of the Group;
 - (i) Assess whether the financial reports represent a true and fair view of the Group's performance and ensure compliance with the regulatory requirements;
 - (ii) To ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function; and
 - (iii) To propose best practices on disclosure in the financial statements and the annual reports of the Group, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.

Other matters

- a) Verify the allocation of shares and/or options pursuant to the share issuance scheme for employees to ensure in compliance with the criteria for allocation of shares and/or options under the share issuance scheme, at the end of each financial year;
- b) To report promptly any matters resulting in the breach of Ace Market Listing Requirements of Bursa Securities Malaysia Berhad ("**Bursa Securities**") to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Securities;

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- c) To consider the major findings of internal investigations and management's response;
- d) To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time; and
- e) Carry out any other function that may be mutually agreed upon by the AC and the Board.

6. AUTHORITY

The Committee shall, whenever necessary and reasonable for the Company to perform of its duties, 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 the resources which it needs to perform its duties;
- c) have full and unrestricted access to any employee and information, documents and resources pertaining to the Group in the course of performing its duties;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional or other advice;
- f) be able to convene meetings with the external auditors, the persons carrying out the internal audit function or both, excluding the attendance of other Directors and employees of the Company and Group, whenever deemed necessary; and
- g) be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Listing Requirements of Bursa Securities has occurred and has not been satisfactorily resolved.

The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman of the Board, the Managing Director, the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

7. GENERAL MEETING

The Chairman of the Committee should attend the General Meeting to answer any shareholder questions on the Audit Committee's activities.

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8. *REPORTING RESPONSIBILITIES*

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. The report should include all matters relevant to the AC's role and responsibilities including but not limited to:

- Review the Group's Quarterly Financial Results for announcement to Bursa Securities;
- Assess whether external reporting is in compliance with statutory responsibilities;
- Assess whether management processes support external statutory reporting requirements;
- Recommendations for selection, appointment or removal of internal auditors and external auditors;
- Assess the performance and independence of the internal auditors and external auditors; and
- Other matters that require Board action or approval.

The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include the number of AC meetings held during the financial year and details of attendance of each Committee member, summary of the work of the Committee in the discharge of its functions, duties for that financial year and how it has met its responsibilities as well as a summary of the work of the internal audit function.

9. *MINUTES*

The minutes of meetings of the Committee shall be circulated to all members of the Board. The minutes shall be kept at the registered office of the Company under the custody of the Secretary of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Audit Committee.

10. *REVISION OF THE TERMS OF REFERENCE*

- Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

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11. APPROVAL

This Terms of Reference is reviewed and approved by the Board of Directors on 27 April 2022.