

TERMS OF REFERENCE

AUDIT COMMITTEE

The Audit Committee is currently made up of the following Directors:

Chairman:

Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg

Members:

Dato' Awang Bemee Bin Awang Ali Basah

Chia Chu Fatt

TERMS OF REFERENCE

1. Appointment/Composition

The members of the Committee shall be appointed by the Board and their period of appointment shall be concurrent with their tenure in the Board. No alternate director shall be appointed as a member of the Committee. The Audit Committee shall consist of not less than three (3) members all of whom shall be Non-Executive Directors with a majority of them being Independent Directors who shall not be:-

- (a) Executive Directors of the Company or any related corporation;
- (b) A spouse, parent, brother, sister, son or adopted son or daughter or adopted daughter of an Executive Director of the Company or of any related corporation; or
- (c) Any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the functions of the Audit Committee.

At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

- (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- (b) he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (c) he fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

A quorum for each meeting shall be two (2) members, all of whom must be Independent Directors. The Chairman of the Committee shall be appointed by the members of the Committee among their number and shall be an Independent Non-Executive Director.

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of an Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

2. **Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information relevant to its activities it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. **The functions of the Committee shall be:**

(a) to review

- (i) with the external auditor, the audit plan;
- (ii) with the external auditor, his evaluation of the system of internal controls;
- (iii) with the external auditor, scope of their audits and their audit reports;
- (iv) the assistance given by the employees of the Company and Group to the external auditor;
- (v) 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;
- (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (vii) any appraisal or assessment of the performance of members of the internal audit functions;
- (viii) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - changes in or implementation of major accounting policy changes and practices;
 - significant and unusual events; and
 - compliance with applicable approved accounting standards in Malaysia and other legal and regulatory requirements;
- (ix) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (x) the adequacy and effectiveness of risk management, internal control and governance systems;
- (xi) any letter of resignation from the external auditors of the Company; and
- (xii) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment;
- (xiii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions and how these matters are address; and

(b) to assess the performance of the external auditors and to recommend to the Board the nomination of a person or persons as external auditors and the external audit fee;

(c) approve the appointment or termination of senior staff members of the internal audit functions;

- (d) take cognizance of resignation of internal audit staff members and provide resigning staff an opportunity to submit the reasons for resigning; and
- (e) to consider any other matters as appropriate and within its terms of reference or as authorised by the Board.

4. **Meetings**

Meetings shall be held not less than four (4) times a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee members, the Company's Executive Chairman/Group Managing Director or the internal or external auditors. Meetings will be attended by the members of the Committee and the Company Secretary who shall act as the Secretary of the Committee.

Participants may be invited from time to time to attend the meetings depending on the nature of the subject under review. These participants may include Directors, General Managers, Division Heads, representatives from the Finance Department, internal auditors and external auditors. The Committee shall have the authority to convene meetings with external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company whenever deemed necessary. However, at least twice a year, the Committee shall meet with the external auditors without the Executive board members present.

5. **Reporting Procedure**

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Board. During the financial year ended 31 December 2015, the Audit Committee held a total of five (5) meetings on the following dates:

23 February 2015
9 April 2015
27 May 2015
28 August 2015
16 November 2015

The detail of attendance by each member of the Committee is as follows:

Number of Meetings Attended

Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg	5/5
Dato' Awang Bemee Bin Awang Ali Basah	5/5
Chia Chu Fatt	5/5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference for the Audit Committee, the following activities were carried out by the Committee during the financial year ended 31 December 2015:

- (a) Review of audit plans, audit strategy and scope of audits of the Company and the Group for the year prepared by the internal and external auditors;
- (b) Review of eight (8) audit reports for the Company and the Group prepared by the internal auditors, their major findings and recommendations and appraise the adequacy of management's response thereto;

- (c) Review of the quarterly financial results and the audited financial statements of the Company and the Group with the external auditors prior to submission to the Board for consideration and approval;
- (d) Review of transactions with related parties by the Company and the Group;
- (e) Met with the external auditors twice during the year in the absence of management;
- (f) Review or appraise the performance of the external auditors before recommending their re-nomination to the Board; and
- (g) Assess the performance of the internal auditors and review of resource requirements of the Group internal audit function.

INTERNAL AUDIT FUNCTION

The internal audit function for the Group is carried out by the Internal Audit Department.

Internal audit is responsible for the independent assessment of the adequacy, effectiveness and efficiency of the internal control systems in place, in anticipating the risks exposures over key business processes so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

The attainment of such objective involves the following main activities being carried out by the internal auditors:

- (a) Reviewing and appraising the soundness, adequacy and application of accounting, financial, operational and other controls, recommending improvement in control and promoting effective control in the Company and its subsidiaries at reasonable cost;
- (b) Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- (c) Ascertaining the extent to which the Company's and Group's assets are accounted for and safeguarded from losses.
- (d) Appraising the reliability and usefulness of data and information generated for management;
- (e) Reviewing the management of risks exposures over key business processes by the Company and its subsidiaries;
- (f) Reviewing together with the Risk Management Division, the risk governance framework and the risk management and internal control processes within the Company and the Group;
- (g) Attending year-end stock counts at all operating units; and
- (h) Reviewing related party transactions carried out by the Company and its subsidiaries.