

**TEO SENG CAPITAL BERHAD**  
(Company No. 732762-T)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1. Objectives**

- 1.1. To provide additional assurance to the Board of Directors (“the Board”) of Teo Seng Capital Berhad (“the Company”) by rendering objective and independent review on financial, operational as well as administrative controls and procedures.
- 1.2. To assist the Board in establishing and maintaining internal controls for areas of risks as well as safeguarding of assets.
- 1.3. To assess and supervise the quality of audits conducted by the Internal and External Auditors.

**2. Composition of the Audit Committee**

The Audit Committee (“the Committee”) shall be appointed by the Board from amongst their numbers, which fulfils the following requirements:-

- 2.1. The Committee must be composed of no fewer than 3 members with a majority must be Independent Directors. In the event of any vacancy in the Committee resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months.
- 2.2. All the Committee members must be financially literate, with at least one member:-
  1. must be a member of the Malaysian Institute of Accountants; or
  2. if he is not a member of the Malaysian Institute of Accountants, he must have at least 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 of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  3. fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- 2.3. No alternate director shall be appointed as a member of the Committee.
- 2.4. The member of the Committee shall elect a Chairman from among themselves who shall be an Independent Director. The Chairman of the Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.
- 2.5. All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Nomination Committee must review the term of office and performance of the Committee and each of its members annually to determine whether the Committee has carried out its duties in accordance with its terms of reference.

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- 2.6. A former key audit engagement partner of the Company's external auditors firm is required to observe a cooling-off period of at least 2 years before he or she could be appointed as a member of the Committee.

**3. Secretary of the Audit Committee**

The Company Secretaries of the Company shall be the Secretaries of the Committee.

**4. Duties and Responsibilities of the Audit Committee**

The following are the main duties and responsibilities of the Committee collectively:

4.1. Review the following and report the same to the Board of the Company:-

- i. with the external auditors, the audit plan;
- ii. with the external auditors, their evaluation of the system of internal controls;
- iii. with the external auditors, their audit report;
- iv. the assistance given by the employees of the Company to the external auditors and the internal auditors;
- 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. the quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:-
  - a) changes in or implementation of major accounting policy changes;
  - b) significant matter highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - c) compliance with accounting standards and other legal requirements.
- viii. any related party transaction (trading and non-trading nature) 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;

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- ix. any letter of resignation from the external auditors and any questions of resignation or dismissal; and
  - x. whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- 4.2. Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;
- 4.3. Assist the Board in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks;
- 4.4. Recommend to the Board on the appointment of the external auditors and their audit fee, after taking into consideration the following criteria and the cost effectiveness of the audit:-
- a) the adequacy of the experience and resources of the accounting firm;
  - b) the persons assigned to the audit;
  - c) the accounting firm's audit engagements;
  - d) the size and complexity of the Company being audited; and
  - e) the number and experience of supervisory and professional staff assigned to the particular audit.
- 4.5. Recommend to the Board on the re-appointment of the external auditors and their audit fee, after annually assess of their suitability, objectivity, independence and the cost effectiveness of the audit;
- 4.6. Discuss with the external auditors on the nature and scope of the audit before the audit commences and ensure co-ordination where more than one audit firm is involved;
- 4.7. Discuss problems and observations arising from the audits and any matter the auditors may wish to discuss in the absence of the management where necessary;
- 4.8. The external auditor's management letter and management's response therein;
- 4.9. In relation to the internal audit function:-
- i. review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - ii. review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - iii. review any appraisal or assessment of the performance of members of the internal audit function;

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- iv. approve any appointment or termination of senior staff members of the internal audit function; and
- v. take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.10. Consider the major findings of internal investigations and management's response;

4.11. If the Committee is of the view that any matter which had been reported to the Board of Directors was not satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), the Committee must promptly report such matters to Bursa Securities; and

4.12. Consider other matters as defined by the Board.

## **5. Authority of the Audit Committee**

In carrying out its duties and responsibilities, the Committee will:

- 5.1. have the authority to investigate any matter within its terms of reference;
- 5.2. have the resources which are required to perform its duties;
- 5.3. have full and unrestricted access to any information pertaining to the Company;
- 5.4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 5.5. be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Committee meetings (if required) and to brief the Committee; and
- 5.6. 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.

## **6. Conduct of Meetings**

- 6.1. The Committee will meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the Committee.
- 6.2. The quorum shall consist of a majority of Independent committee members and shall not be less than two.
- 6.3. Recommendations from the Committee are submitted to the Board for approval.

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- 6.4. The Company Secretaries shall be in attendance at each Committee meeting and record the proceedings of the meeting thereat.
- 6.5. Minutes of each meeting shall be kept as part of the statutory record of the Company. ~~upon confirmation by the Board and a copy shall be distributed to each member of the Committee.~~
- 6.6. The Managing Director, Directors and other appropriate officers (including employees) may be invited to attend where their presence are considered appropriate as determined by the Committee Chairman.
- 6.7. The internal auditors and/or external auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend each Audit Committee meeting.
- 6.8. Upon the request of the internal auditors and/or external auditors, the Committee Chairman shall also convene a meeting of the Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- 6.9. The Committee must be able to convene meetings with external auditors without the presence of the executive board members and management at least twice a year and whenever deemed necessary.
- 6.10. 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

## **7. Circular Resolution**

The Committee may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing in lieu of formally convening a meeting. The Circular Resolution signed by a majority of the Committee members shall be as valid and effectual as if it has been passed by a meeting of the Committee duly convened. Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by email, facsimile or other electrical or digital written message/application to include a signature of a Committee member.

## **8. Revision and Updates**

This Terms of Reference will be reviewed and updated as and when necessary to ensure it remains consistent with the Committee's objectives and responsibilities.