



MELEWAR INDUSTRIAL GROUP BERHAD

(Company No. 8444-W)
(Incorporated in Malaysia under the Companies Act, 1965)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Revised 2016)

1. **COMPOSITION**

- 1.1 The members of the Audit Committee shall be appointed from among the Directors of the Company and composed of no fewer than three (3) Directors of whom all must be Non-Executive Directors, with majority of them being Independent Directors.
- 1.2 All members of the Audit Committee should be financially literate and at least one (1) member of the Audit Committee :
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of experience and :
 - i. he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - ii. 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
 - (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").
- 1.3 If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three (3) months, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members, the majority of whom must be independent director.

- 1.4 The members of the Audit Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.
- 1.5 No Alternate Director is to be appointed as a member of the Audit Committee; and
- 1.6 The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

2. QUORUM AND PROCEDURE

- 2.1 The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Chief Executive Officer, Finance Director and Chief Audit Executive should normally attend meetings. Other Board members, employees, a representative of the external auditors and external independent professional advisers may attend meetings upon the invitation of the Audit Committee. However, the Committee should meet with the External Auditors without Executive Board members present at least twice a year.
- 2.2 The quorum for any meeting of the Audit Committee shall consist of not less than two (2) members; the majority of the members present shall be Independent Directors.
- 2.3 In the absence of the Chairman, the Audit Committee shall appoint one of the independent members present to chair the meeting.
- 2.4 The Secretary of the Company shall also be the Secretary of the Audit Committee. The Secretary shall be responsible for drawing up the agenda in consultation with the Chairperson and shall be responsible for keeping the minutes of the meeting of the Audit Committee, circulating them to Committee members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers and documents are circulated to the Committee members.
- 2.5 The Chairman of the Audit Committee shall report on each meeting to the Board.
- 2.6 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board.

3. AUTHORITY

3.1 The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company :

- (a) have explicit authority to investigate any matters within its terms of reference. All employees shall be directed to cooperate as requested by members of the Audit Committee;
- (b) have full and unrestricted access to any information and resources which are required to perform its duties;
- (c) be able to obtain, if it considers necessary, external independent professional advice;
- (d) be able to invite outsiders with relevant experience to attend meeting if necessary;
- (e) be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary;
- (f) have direct communication channels with the External Auditors and Internal Auditors;
- (g) be able to make prompt reports to Bursa Malaysia when the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of listing requirements.

3.2 The terms and reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Managing Director to institute or instruct internal audits and reviews to be undertaken from time to time. Full report must be made to the Audit Committee upon completion of such reviews.

4. DUTIES AND RESPONSIBILITIES

4.1 The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman, Chief Executive Officer, Finance Director, Chief Audit Executive and the External Auditors in order to be kept informed of matters affecting the Company.

4.2 In discharging its duties and responsibilities, the Audit Committee shall perform and where appropriate, report to the Board of Directors on the following :

(a) Financial reporting

- i. To review the quarterly and year-end financial statements of the Board, focusing particularly on :
 - Any change in accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption; and
 - Compliance with accounting standards and other legal requirements.

(b) External audit

- i. To consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
- ii. To discuss with the External Auditor before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- iii. To monitor provision of non-audit services by External Auditors;
- iv. To review the External Auditors' management letter and management's response;
- v. To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary).

(c) Internal audit

- i. To do the following, in relation to Internal Audit Function :
 - Review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
 - Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations;
 - Review any appraisal of the performance and compensation of staff members;
 - Approve any appointment or termination of senior staff members; and
 - Take cognizance of resignations of staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.

(d) Related Party Transaction

- i. To consider any related-party transactions that may arise within the Company or Group;

(e) Other Functions

- i. To consider the major findings of internal investigations and Management's response;
- ii. To consider other topics as defined by the Board; and
- iii. The review of the terms of office and performance of the audit committee and its members will be carried out by the nomination and remuneration committee, and amending the timing of such review from once every 3 years to annually.