

**1. INTRODUCTION**

- 1.1 The Audit Committee (“AC” or the “Company”)’s Terms of Reference (“TOR”) sets out the requirements of the Board of Directors (the “Board”) of Compugates Holdings Berhad (“CHB” or the “Company”) for the establishment of an AC and the delegation of responsibilities to such a Committee.

**2. FUNCTIONS**

- 2.1 The AC’s TOR is established pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and is approved by the Board.
- 2.2 The purpose of the AC is to assist the Board in fulfilling its fiduciary duties as well as oversight objectives on the activities of the Group in respect of the following:
- 2.2.1 assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Group;
- 2.2.2 oversee financial reporting;
- 2.2.3 assess the risks and control environment;
- 2.2.4 evaluate the internal and external audit systems, processes and outcomes;
- 2.2.5 review conflict of interest situations and related party transactions; and
- 2.2.6 undertake any such other functions as may be determined by the Board from time to time.

**3. MEMBERS**

- 3.1 The AC members shall be appointed by and from the Board of CHB and shall comprise of not less than three (3) members.
- 3.2 All the members of the AC must be Non-Executive Directors and a majority of whom must be Independent Directors free from any business or relationship that in the opinion of the Board would materially interfere with the exercise of his/her independent judgement as a member of the AC.
- 3.3 Members of the AC may relinquish their membership in the AC with prior written notice to the Company Secretary. The Nomination Committee will review and recommend, if necessary to the Board for approval, another candidate to fill up such vacancy.
- 3.4 No Alternate Director shall be appointed as a member of the Committee.
- 3.5 At least one member of the Committee must be a member of the Malaysia Institute of Accountants (“MIA”) or if he is not a member of MIA, he must have at least three (3) years of working experience and:
- he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967;

- he must be a member of the associations of accountants specified in Part II of the Accountants Act, 1967; or
- fulfils such other requirements as prescribed or approved by Bursa Securities.

3.6 In the event a member/Chairman of the AC resigns, dies or for any reason ceases to be a member/Chairman, resulting in the number of AC membership conditions not being fulfilled, the Board shall within three (3) months of that event appoint such number of new members as may be necessary to fulfil the requirements.

#### **4. POWERS AND AUTHORITY**

4.1 The Board authorizes the AC, within the scope of its duties and responsibilities set out in this TOR to:

- 4.1.1 investigate any activity or matter within its TOR;
- 4.1.2 have full and unrestricted access to information, records, properties and personnel within the Group;
- 4.1.3 obtain relevant internal and external independent professional advice, as it deems necessary to assist in the proper discharge of its roles and responsibilities;
- 4.1.4 maintain direct communication with the external auditors and internal auditors; and
- 4.1.5 convene meetings with the external auditors, internal auditors without the presence of other directors and employees of the Group, whenever deemed necessary.

#### **5. CHAIRMAN OF THE AC**

5.1 The Chairman of AC must be an Independent Non-Executive Director and shall be appointed by the members of the AC.

#### **6. SECRETARY OF THE AC**

6.1 The Company Secretary or his/her representative shall act as the Secretary of the AC (the "Secretary").

6.2 The Secretary shall be present to record and minute all proceedings of the AC meetings.

6.3 The Secretary shall have the following responsibilities:

- 6.3.1 ensure all meetings are arranged and held accordingly;
- 6.3.2 draw up meeting agenda in consultation with the Chairman and circulate the agenda together with the relevant papers at least seven (7) days prior to each meeting to enable full and proper consideration to be given to issues;
- 6.3.3 prepare the minutes of the AC meetings and record the conclusions of the AC in discharging its duties and responsibilities;

- 6.3.4 ensure the minutes are endorsed by the Chairman before circulating promptly to all members of the AC and make the same available to Board members who are not members of the AC; and
- 6.3.5 ensure that the minutes of the AC meetings are properly kept and produced for inspection if required.

**7. QUORUM AND MEETING GUIDELINES OF THE AC**

- 7.1 In order to form a quorum, at least two (2) members must be present at the meeting the majority of whom must be Independent Non-Executive Directors.
- 7.2 In the absence of the Chairman, the members present shall elect a Chairman for the meeting, who shall be an Independent Non-Executive Director from amongst the members present.
- 7.3 The AC shall meet at least four (4) times a year or more frequently as circumstances dictate and the AC is encouraged at least twice in a year to meet with the external and internal auditors without executive Board members and Management present.
- 7.4 AC meetings shall be governed by the provisions of the Company's Articles of Association relating to Board meetings unless otherwise provided for in this TOR. The AC may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 7.5 AC may request other Directors, members of Board committees, Key Management, counsels and consultants when applicable and necessary to participate in the meetings, to assist in carrying out the AC's responsibilities.
- 7.6 A member of the AC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her. Where this causes a lack of quorum, the AC shall appoint another candidate(s) who meets the membership criteria.
- 7.7 A member of the AC may participate in a meeting 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.
- 7.8 The notice and agenda for each AC meeting shall be sent to all members of the AC and any other persons who may be required to attend at least seven (7) days prior to each of the AC meeting.
- 7.9 The Chairman of the AC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the AC that require the Board's approval at the Board meeting.
- 7.10 The Chairman shall submit an annual report to the Board, summarizing the AC's activities during the year including results and findings and the relevant training attended by each member.

- 7.11 The AC shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter. A resolution in writing, signed by all the members of the AC, shall be as effectual as if it has been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more AC members.

## **8. DUTIES AND RESPONSIBILITIES**

### **8.1 Risk Management and Internal Control**

- 8.1.1 review the risk profile of the Group (including risk registers) and the Risk Management team's plans to manage and/or mitigate business risks as identified from time to time.
- 8.1.2 review the sufficiency and effectiveness of the Group's overall risk management framework; and
- 8.1.3 assess the effectiveness of the system of internal controls i.e. the risks, control environment and compliance requirements based on the results of the external and internal audits.

### **8.2 Financial Reporting and Compliance**

- 8.2.1 review the AC's TOR as conditions dictate;
- 8.2.2 review the quarterly results and the year-end financial statements of the Group prior to approval by the Board focusing on changes in implementation of major accounting policies, significant and unusual events, the going concern assumption and compliance with accounting standards and other legal requirements; and
- 8.2.3 review major audit findings and management's response during the year with management, external auditors and internal auditor.

### **8.3 Evaluate the internal and external audit processes and outcomes**

- 8.3.1 review with the external auditors on their audit plan, their evaluation of the system of internal controls, audit report, problems and reservations arising from the interim and final audits, the management letter and management's response and the adequacy of assistance given by the Group's employees;
- 8.3.2 review any letter of resignation from the external auditors and report the same to the Board;
- 8.3.3 review whether there is any reason that the external auditor is not suitable for reappointment and make the relevant recommendations to the Board;
- 8.3.4 recommend the nomination of a person or persons as external auditors, including matters related to audit fees;
- 8.3.5 ensure the proper policies and procedures are established and to assess the suitability and independence of external auditors, including obtaining written

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assurance from external auditors confirming they are and have been independent throughout the conduct of audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirements;

- 8.3.6 set policy on non-audit services which may be provided by the external auditors; and
- 8.3.7 In respect of the Group's internal audit function, to undertake the following:
- a) review the adequacy of the scope, functions, resources and budget of the Group's internal audit function;
  - b) approve the internal audit plan and review the results of the internal audit plan and decide whether or not appropriate actions are taken and report to the Board;
  - c) review the effectiveness of the Group's internal audit function and make recommendations necessary for improvement;
  - d) review any appraisal of or assessment of the performance of the Group's internal audit function; and
  - e) recommend to the Board any appointment or removal of the Internal Auditor.
- 8.4 Review conflict of interest situations and related party transactions (including recurrent related party transactions)
- 8.4.1 review any conflicts of interest and related party transactions including recurrent related party transactions that may arise within the Group; and
- 8.4.2 ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes annually.
- 8.5 Other responsibilities and safeguards
- 8.5.1 consider any concerns raised by external auditor in respect of breach or non-performance of any requirement or rules that may materially affect the financial position of CHB.
- 8.5.2 review the Company's Annual Report including approving the Statement on Risk Management and Internal Control, the Statement on Corporate Governance and other statements related to strategy, financials and performance for inclusion in the Annual Report and recommend to the Board for approval.

**9. REPORTING**

- 9.1 AC shall regularly update the Board about its activities and make recommendations through copies of minutes of each meeting and circulate to all Board members once endorsed by the Chairman.
- 9.2 AC shall ensure that the Company discloses in its Annual Report an AC Report for the financial year. AC must disclose how it has met its responsibilities in discharging its functions and duties for the financial year.
- 9.3 AC must update its TOR which deal with its authority and duties from time to time and ensure that such information be made available on the Company's website.
- 9.4 The AC Report must include the composition of the AC, including the name, designation (indicating the Chairman) and directorship of the members (whether independent or otherwise); the number of meetings held and details of attendance of each AC member; a summary of the work of AC in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and a summary of the work of the internal audit function.

**10. PERFORMANCE**

- 10.1 On an annual basis, the Board shall evaluate the AC's performance and extent to which the Committee has met the requirements of its TOR. This assessment may constitute a part of the annual Board Effectiveness Assessment in respect of assessment of the Board Committees.

**11. REVISION OF THE TOR**

- 11.1 Any revision or amendment to the TOR shall first be presented to the Board for its approval.

**12. APPROVAL**

- 12.1 This TOR was reviewed and approved by the Board of Directors on 18 November 2016.