

MALAKOFF CORPORATION BERHAD
(“the Company”)

TERMS OF REFERENCE OF BOARD AUDIT COMMITTEE

PURPOSE

The Audit Committee (“Committee”) is established as a committee of the Board of Directors (“Board”). The primary objectives of the Committee are as follows:

1. To assist the Board in fulfilling its statutory and fiduciary responsibilities in examining and monitoring the Company and its subsidiaries’ (“the Group”) management of business, financial risk processes, accounting and financial reporting practices;
2. To determine the adequacy and effectiveness of the administrative, operational and internal accounting controls of the Group and to ensure that the Group is operating in accordance with the prescribed procedures, codes of conduct and applicable legal and regulatory requirements;
3. Serve as an independent and objective party in the review of the financial information of the Company and Group presented by management for the distribution to shareholders and the general public;
4. Provide direction and oversight over the internal and external auditors of the Company; and
5. To evaluate the quality of audits conducted by the internal and external auditors on the Company and Group.

MEMBERSHIP

The Committee shall have at least three (3) members and all the members must be non-executive directors and a majority of whom must be independent directors, free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgement as a member of the Committee. The Chairman of the Committee shall be an independent non-executive director elected by the Committee from amongst its members.

A former audit partner must observe a cooling-off period of at least three years before being appointed as a member of the Committee.

At least one member of the Committee:-

- (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
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) 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 the Exchange.

No alternate director shall be the Committee member.

In order to form a quorum in respect of a meeting of the Committee, at least two (2) of the members of the Committee must be present at the meeting, with the majority of members present must be independent non-executive directors.

In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting, who shall be an independent non-executive director from amongst the members present.

All members of the Committee shall be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process.

If a member of the Committee resigns, dies and for any reason ceases to be a member resulting in the non-compliance with the Bursa Securities Listing Requirements ("LR"), the Board shall within three (3) months of that event, appoint such number of new member(s) as may be required to comply with the LR.

The Nominating Committee must review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with the terms of reference.

AUTHORITY

The Committee is authorised by the Board:

- (a) to investigate any matter within its terms of reference;
- (b) to have the resources in order to perform its duties and responsibilities as set out in its terms of reference;
- (c) to have full and unrestricted access to information pertaining to the Company and the Group including to call on any officers of the Company and/or the Group in carrying out their duties;
- (d) to have direct communication channels with the internal and external auditors; and
- (e) to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary.
- (f) to convene meetings with the external auditors and/or the internal auditor without the attendance of the executive members of the Group, whenever deemed necessary.
- (g) meet exclusively among itself, whenever deemed necessary.

MEETINGS AND MINUTES

Meetings shall be held at least four (4) times a year or more frequently as circumstances dictate. The Chairman shall call a meeting of the Committee, if requested to do so by any Committee member, the management, the internal or external auditors. A representative of the external and internal auditors shall normally be invited to attend the meetings of the Committee. The management shall be represented at the meetings by the Managing Director or Chief Executive Officer (“CEO”) or in his absence, the Deputy CEO or Chief Operating Officer and the Chief Financial Officer of the Company.

Other board members or Management Committee members or any other employee may be invited to the meeting for a specific agenda or clarification on matters for discussion.

The Committee shall meet at least twice a year with the internal and external auditors without the attendance of the management of the Company.

Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Company Secretary shall be the Secretary of the Committee. The Chairman of the Committee should engage

on a continuous basis with senior management, the Chairman of the Board, the Managing Director or the CEO, the Chief Financial Officer, and the internal auditors to be kept informed of matters affecting the Company.

Resolutions of the Committee at a meeting or adjourned meeting of the Committee shall be adopted by a majority of votes of all members present. In the event matters requiring the Committee's decision arise between meetings, such matters shall be resolved through circular resolution which shall be supported by relevant papers setting out details of the subject matters.

All such resolutions shall be signed by all the members of the Committee and shall be submitted for confirmation at a meeting of the Committee following the passing of the circular resolution.

The regulation of the Committee meetings as well as passing of resolutions vide resolution shall follow the proceedings of Directors.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are as follows:-

(I) External audit

- (a) To consider the appointment of the external auditors, the audit fees and any question in relation to resignation or dismissal of the external auditors and whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment before making recommendation to the Board;
- (b) To review and discuss on the nature and scope of the audit, and any significant problems that may be foreseen with the external auditors before the audit commences and ensure that the audit is carried out effectively and efficiently for the Company and the Group;
- (c) To review the audit findings and the management's responses including the status of the previous audit recommendations;
- (d) To review with the external auditors the following:

- (i) their audit plan and ensure coordination where more than one audit firm is involved;
 - (ii) their evaluation of the system of internal controls;
 - (iii) their audit report;
 - (iv) the adequacy of assistance given by the Group's employees to the external auditor; and
 - (v) there is co-ordination between internal and external auditors.
- (e) To consider any concerns raised by external auditors pertaining to a breach or non-performance of any requirement of any rules or matters that may materially affect the financial position of the Company and Group.
- (f) To establish policies and procedures on assessment of the suitability, objectivity and independence of external auditors, including obtaining written 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;
- (g) To establish policies and procedures on non-audit services which may be provided by MCB's external auditors to cover amongst others the following:-
- (i) to review the nature and extent of the non-audit services rendered by the external auditors,
 - (ii) set the conditions and procedures which must be adhered to by the external auditors in the provision of such services;
 - (iii) to determine the appropriateness of the level of fees so as to ensure that their independence is maintained.

The assessment on the suitability, objectivity and independence of the external audit firm should be conducted annually.

(II) Internal audit

- (a) To ensure that the internal audit function is effective to amongst others, evaluate and improve the internal control and governance processes, able to function independently from the management of the Company and report directly to the Committee.

The AC must be satisfied that :-

- the person responsible for internal audit has relevant experience;
 - sufficient standing and authority to enable him to discharge his functions effectively;
 - internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and
 - the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.
- (b) To review the internal audit plan, processes, audit reports and the results of the internal audit assessments, or investigation undertaken and management's responses and ensure that appropriate action is taken on any recommendations made therein.
- (c) To review the adequacy of the scope, competency, resources and the budget of the internal audit programme and internal audit functions and that it has the necessary authority to carry out its work;
- (d) To direct and where appropriate supervise any special project or investigation considered necessary;
- (e) To review and approve the Internal Audit Charter of the Internal Audit Division in the Group;
- (f) To determine the remit of internal audit function which reports directly to the Committee. The internal audit function should be independent of the activities they audit and should be performed impartially, with proficiency and due professional care;
- (g) To consider the major findings of internal investigations and management's response;

- (h) Review and appraise or assess the performance of members of the internal audit function/firm carrying out the internal audit function;
- (i) To evaluate and approve the appointment, promotion, transfer, termination of service/contract and removal of the Chief Internal Auditor;
- (j) Appraise the performance and approve the remuneration (including annual increment, bonus and promotion) of the Chief Internal Auditor; and
- (k) Take cognizance of resignation of the Chief Internal Auditor and provide the resigning individual an opportunity to submit his/her reasons for resigning.

(III) Financial reporting review

To review with the Management and the external auditors, the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:

- any changes in or implementation of major accounting policies and practices;
- significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- compliance with accounting standards; and
- compliance with other legal requirements and the LR.

(IV) Related party transactions

- (a) To review any related party transaction and conflict of interests situation that may

arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

- (b) To review the procedures set by the Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties dealing at arm's length and are not to the detriment of the Company's minority shareholders.

(V) Internal control

- (a) To keep under review the effectiveness of internal control systems and the internal and/or external auditors' evaluation of these systems.

(VI) Other matters

- (a) To arrange for periodic reports from Management, the external auditors and the internal auditors to assess the impact of significant regulatory changes and accounting or reporting developments proposed by accounting and other bodies, or any significant matter that may have a bearing on the annual examination;
- (b) To discuss problems and reservation arising from the internal audit, interim and final audits, and on matters that the internal and external auditors may wish to discuss (in the absence of the Management where necessary);
- (c) To prepare periodic reports to the Board summarising the work performed in fulfilling the Committee primary responsibilities;
- (d) To report to the Board at least once a year, the work of the Committee in discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities, including the number of meetings held during the year and the details of attendance of each audit member in respect of the meetings; and a summary of the work of the internal audit function or activity;

- (e) The Committee shall be responsible in ensuring that the Company discloses in its annual report the Committee Report for the financial year, pursuant to the LR;
- (f) 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 the LR, the Committee must promptly report such matter to Bursa Securities and/or the Securities Commission;
and
- (g) Carrying out any other functions that may be mutually agreed upon by the Committee and the Board.