

AUDIT COMMITTEE CHARTER

1. Introduction

- 1.1 This Audit Committee Charter and/or Terms of Reference (“Charter”) sets out the requirement of the Board of Directors of Pasdec Holdings Berhad for the establishment of an Audit Committee, its terms of reference and the delegation of responsibilities to such committee.
- 1.2 The Audit Committee was established on 12 June 1997.
- 1.3 Unless otherwise stated, in this chapter, “PASDEC” or “the Group” refers to Pasdec Holdings Berhad Group and Board of Directors (“Board”) and Audit Committee (“AC”) refers to the Board of Directors and Audit Committee of PASDEC respectively.
- 1.4 In view of the mandatory nature of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the Charter aims to ensure that the AC complies with the relevant Listing Requirements. In addition, the Charter also recognises and aims to adopt related guidance and recommendations from the following documents:-
 - i. The Malaysian Code on Corporate Governance 2012 (“Code”).
 - ii. The Corporate Governance Guide, (2nd Edition) (“Guide”) issued by Bursa Malaysia.
- 1.5 The Charter shall be assessed, reviewed and updated as and when necessary, especially when there are changes to the Listing Requirements, the Code and any other regulatory requirements. Any change to the Charter shall be recommended to the Board for approval.

2. Purpose

- 2.1 The purpose of the AC is to assist the Board in fulfilling its oversight responsibilities in respect of the following:-
 - i. Compliance of the financial statements of the Group with the applicable financial reporting standards and practices;
 - ii. Proper implementation of a system of internal controls relevant to the risks of the Group, the control environment and any compliance requirements;

- iii. Monitoring compliance with established policies and procedures as well as the applicable laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies; and
- iv. Enhancing the independence of the external and internal audit functions.

3. Composition

- 3.1 The AC members shall be appointed from amongst its directors by the Board, and shall comprise of at least three (3) members who must be non-executive directors, the majority of whom shall be independent directors. No alternate director shall be appointed as a member of the AC.
- 3.2 At least one (1) member of the AC:-
 - i. Must be member of Malaysian Institute of Accountants; or
 - ii. 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 examination specified in Part 1 of the First Schedule of the Accountants Act, 1967; or
 - (b) he must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - iii. Fulfils such other requirements prescribed by Bursa Malaysia.
- 3.3 Chairman shall be an independent non-executive director and any vacancy of the position resulting in non-compliance must be filled within three (3) months.
- 3.4 In the event a member of AC resigns, dies or for any other reason ceases to be a member resulting in non-compliance with the Listing Requirements, the Board shall within three (3) months of that event appoint such number of new members as may be required.

4. Authority

- 4.1 The AC shall have the following authority as empowered by the Board:
 - i. The authority to investigate any activity or matter within its term of reference;
 - ii. To acquire the resources which are required to perform its duties;

- iii. To seek any information it requires from any officer or employee of the Group and all employees are directed to cooperate with any request made by the AC;
 - iv. To maintain direct communication channels with external auditors and the head of the internal audit function;
 - v. To obtain such legal or other independent professional advice and to secure the attendance of such outsiders with relevant experience and expertise as it may consider necessary; and
 - vi. To convene meetings with external auditors, internal auditors or both, without the presence of the Management and employees, whenever it deems necessary. The AC shall also meet exclusively among itself, whenever deemed necessary.
- 4.2 The AC may empower one or more of its members to meet or communicate with the external auditors and/or internal auditors independently.
- 4.3 The AC shall report to the Board on matters considered and its recommendation thereon, pertaining to the Group.

5. Responsibilities and Duties

The main responsibilities and duties of the AC shall include, but are not limited to the following:-

5.1 Financial Reporting and Performance Oversight

- 5.1.1 To review the quarterly results and the year-end financial statements of the Group prior to approval by the Board, focusing particularly on:
- i. Any change in accounting policies and practices, and its implementation;
 - ii. Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - iii. Compliance with accounting standards and other regulatory requirements; and
 - iv. Significant adjustments arising from the audit and the going concern assumption.
- 5.1.2 To review with the external auditors the audited financial statements for the purpose of approval prior to presentation to the Board for adoption for the following:-

- i. whether the auditors' report contain any qualification which must be properly discussed and acted upon;
- ii. whether there is any significant changes and adjustments to the presentation of financial statements;
- iii. whether there is any material fluctuations in balances;
- iv. whether there is any significant variations in audit scope and approach; and
- v. whether there is any significant commitments and contingent liabilities.

5.2 Internal Control

5.2.1 To assess the effectiveness of the system of internal control via-a-vis the risks, control environment and compliance requirements of the Group, based on the results of the external and internal audits, and to make recommendations for improvement in the system of internal control where deemed necessary.

5.3 Dealings With External Auditors

5.3.1 To make recommendations to the Board on the appointment of the external auditors and the audit fees and any resignation or dismissal of the external auditors.

5.3.2 To assess and monitor the performance, suitability and independence of the external auditors.

5.3.3 To discuss with the external auditors prior to commencement of audit:-

- i. The nature and scope of audit;
- ii. The audit plan;
- iii. The evaluation of accounting policies and of the system of internal controls;
- iv. The audit reports;
- v. Any assistance given by the Group's employees to the external auditors; and
- vi. The effectiveness of the Management information system including any suggestions for improvement and Management's response.

5.4 Dealings With Internal Audit

- 5.4.1 Approve the internal audit charter and ensure the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry-out its work.
- 5.4.2 Review and approve the internal audit plan.
- 5.4.3 Review the risk assessment and audit methodology, internal audit reports or investigation undertaken, discuss major findings and Management's response and ensure appropriate action is taken on the recommendations of the internal audit function.
- 5.4.4 Review the effectiveness of the internal audit function and make recommendations for improvement, if and where necessary.
- 5.4.5 Review with the Head of Internal Audit, the internal audit and risk management resource plan, activities and organisation structure.
- 5.4.6 Approve decisions regarding appointment and removal of the Head of the Internal Audit. The AC shall be informed of any resignation of the Head of Internal Audit and provide him/her an opportunity to submit his/her reasons for resignation.
- 5.4.7 Assess the performance and decide on the remuneration package of the Head of Internal Audit.

5.5 Related Party Transactions ("RPTs")

- 5.5.1 Ensure that Management establishes a comprehensive framework for the purpose of identifying, evaluating, approving, reporting and monitoring RPTs and conflict of interest situations.
- 5.5.2 AC to review and report to the Board any RPTs entered into by the Group in order to ensure that:-
 - i. transactions are in the best interest of the Group;
 - ii. transactions are fair, reasonable and undertaken on the Group's normal commercial terms;
 - iii. internal control procedures with regard to such transactions are sufficient and review any conflict of interest situations or RPTs so as to prevent any abuse of power by the interested parties to gain unfair advantage; and
 - iv. transaction is not detrimental to the interest of minority shareholders.

5.6 Others

- 5.6.1 Review the AC Report and Statement of Internal Control to be included in the Annual Report.
- 5.6.2 Assess procedures and processes to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.
- 5.6.3 Report to the Board, any suspected fraud or irregularities, serious internal control deficiencies or suspected breach of laws, rules and regulations which came to its attention and are of sufficient importance to warrant the attention of the Board.
- 5.6.4 To undertake such other functions as may be agreed to by the AC and the Board.

6. Meetings

6.1 Frequency

- i. The AC shall meet at least four (4) times a year with authority to convene additional meetings, as circumstances require.
- ii. A meeting shall normally be conducted face-to-face to enable effective discussion. However, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the AC.
- iii. The Head of Internal Audit shall attend the meetings of the AC as permanent invitee unless otherwise decided by the Chairman.
- iv. The Group Managing Director, Chief Executive Officer, Senior Vice President Finance & Corporate Services and representative of the external auditors shall normally be invited to attend the AC meetings. The AC may invite other members of the Board, Division Managers or other officers of the Group to attend its meetings, where necessary.
- v. The AC shall meet with the external auditors without the presence of any executive members and Management, as and when it deems necessary.

6.2 Secretary

- i. The Company Secretary shall be the Secretary of the AC.

- ii. The Secretary shall organise and provide assistance at the AC meetings and have the following key responsibilities:-
 - (a) Ensure meetings are arranged and held accordingly;
 - (b) Assist the Chairman in planning the AC's activities;
 - (c) Draw up meeting agendas in consultation with the Chairman of AC;
 - (d) Ensure structured communication between the Board and the AC;
 - (e) Ensure proceedings of meetings are recorded and the minutes confirmed by the Chairman before disseminating them to the Board; and
 - (f) Ensure AC's recommendations presented to the Board are supported by papers that explain the rationale for the recommendations.

6.3 Notice and Agenda

- i. The Company Secretary shall issue and circulate due notice of AC meetings confirming the venue, time and date before each meeting to the AC members and all those required to attend the meetings.
- ii. The agenda for each meeting including relevant documents and papers for the AC meeting should be targeted to be circulated at least three (3) days prior to each AC meeting.

6.4 Quorum

- i. The quorum for the AC meeting shall be two (2) and majority of the members present shall be independent directors.
- ii. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to chair the meeting.

6.5 Minutes

- i. Minutes of the meeting shall record the deliberations and decisions of the AC.
- ii. Minutes of AC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- iii. Minutes of the AC shall be kept at the registered office and be distributed to each member of the AC as well as Board members.
- iv. The AC through its Chairman, shall update the Board on the activities undertaken by the AC at Board meetings.