



Company No: 199601040053 (412406-T)

TERMS OF REFERENCE – AUDIT COMMITTEE

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1. Objective

The Audit Committee was established with the primary objective to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate governance and practices for the Straits' Group, to improve the business efficiency and enhance the independent role of external and internal auditors.

2. Composition

The Audit Committee shall be appointed by the Board from amongst their members, who fulfils the following requirements:

- a) The Audit Committee must be composed of no fewer than three (3) members. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months;
- b) All the Audit Committee members must be non-executive directors, with a majority of them being Independent Directors;
- c) All the Audit Committee members must be financially literate, with at least one member:
 - (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 three (3) years' working experience and:
 - He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - 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
 - Fulfils such other requirements as prescribed or approved by the Exchange.
- d) No alternate Director shall be appointed as a member of the Audit Committee;
- e) The member of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director. The Chairman of the Audit 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; and



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2. Composition (Contd.)

- f) All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.

3. Secretary

The Company Secretary of the Company shall be the Secretary of the Audit Committee.

4. Duties And Responsibilities

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

- a) Review the following and report the same to the Board of the Company:
- (i) Oversee the Company's internal control;
 - (ii) With the external auditors, the audit plan;
 - (iii) With the external auditors, his evaluation of the system of internal controls;
 - (iv) With the external auditors, his audit report;
 - (v) The assistance given by the employees of the Company to the external auditors and the internal auditors;
 - (vi) 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;
 - (vii) 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;
 - (viii) The quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - Changes in or implementation of major accounting policy changes;
 - Significant and unusual events; and
 - Compliance with accounting standards and other legal requirements
 - (ix) Any related party transaction 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;
 - (x) Any letter of resignation from the external auditors and any questions of resignation or dismissal;



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4. Duties And Responsibilities (Contd.)

- (xi) Whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
 - (xii) Monitor the Group's exposure to corruption risk and to make recommendations on anti-corruption management and corruption risk mitigation;
 - (xiii) Assess the design and effectiveness of the Group's anti-corruption framework;
 - (xiv) Monitor the implementation of the Group's anti-corruption monitoring program in relation to the Group's exposure to corruption risks;
 - (xv) To ensure the implementation of the Group's anti-corruption compliance programmes and to review its effectiveness thereof;
 - (xvi) To assess the resources and effectiveness of the anti-corruption function of the Group and to determine the adequacy of corruption risk reporting;
 - (xvii) To foster knowledge sharing on anti-corruption initiatives throughout the Group;
 - (xviii) To ensure that employees, contractors, agents and suppliers are fully aware of the Group's anti-corruption policies and stand;
 - (xix) To ensure that the Company's website contains information that is up-to-date and coherently reflective of the Group's anti-corruption approaches, policies and procedures, systems and activities, which is updated on a periodic basis;
 - (xx) To investigate any corruption related matters within its terms of reference)and shall have the resources which it needs to do so) and to seek any information it requires from any officers or employee of the Group and such officers or employees shall be instructed by the board of the company employing them to respond to such enquiries on a timely manner and to co-operate with the Committee; and
 - (xxi) To engage independent professional advice (including legal advice), where necessary, and to secure the attendance of outsiders with relevant expertise or experience as it considers necessary to assist in any anti-corruption matters.
- b) 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;
- c) 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;
- d) Recommend to the Board on the appointment and re-appointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit;
- e) Discuss with the external auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;



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4. Duties And Responsibilities (Contd.)

- f) Discuss problems and reservations arising from the audits and any matter the auditors may wish to discuss in the absence of the management where necessary;
- g) Review the external auditor's management letter and management's response therein;
- h) 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;
 - (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.
- i) Consider the major findings of internal investigations and management's response;
- j) To review the effectiveness of the internal controls and risk management processes of the Company; and
- k) Consider other matters as defined by the Board.

5. Rights Of The Audit Committee

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

- a) Have the authority to investigate any matter within its terms of reference, including the anti-corruption matters;
- b) Have the resources which are required to perform its duties;



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5. Rights Of The Audit Committee (Contd.)

- c) Have full and unrestricted access to any information pertaining to the Company;
- d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Audit Committee meeting (if required) and to brief the Audit Committee;
- f) 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;
- g) To assign and adequately resource a function (which may be external to the organisation) to be responsible for the Group's anti-corruption framework as well as anti-corruption compliance matters, including provision of advice and guidance to personnel and business associates in relation to the corruption programme; and
- h) To direct efforts to improve upon the effectiveness of its corruption risks management framework.

6. Conduct Of Meetings

- a) The Audit 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 Audit Committee.
- b) The quorum shall consist of a majority of independent committee members and shall not be less than two (2).
- c) Recommendations by the Audit Committee are submitted to the Board for approval.
- d) The Company Secretary shall be in attendance at each Audit Committee meeting and record the proceedings of the meeting thereat.
- e) Minutes of each meeting shall be kept as part of the statutory record of the Company upon confirmation by the Audit Committee.
- f) The Managing Director and other officers may be invited to attend where their presence are considered appropriate as determined by the Audit Committee Chairman.



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6. Conduct Of Meetings (Contd.)

- g) The internal auditors and / or external auditors have the right to appear and be heard at any meeting of the Audit Committee.
- h) Upon the request of the internal auditors and / or external auditors, the Audit Committee Chairman shall also convene a meeting of the Audit Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- i) The Audit 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.
- j) Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach or Bursa Malaysia Securities Berhad requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.
- k) The attendance at any particular Audit Committee meeting by other directors and employees of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting.