

SAM ENGINEERING & EQUIPMENT (M) BERHAD
(Company No. 298188A)

Appendix D

TERMS OF REFERENCE OF AUDIT COMMITTEE (“AC” or “the Committee”)

1. Objectives

The AC assists the Board fulfill its oversight functions. In doing so, the primary functions of the AC are as follows:-

- 1.1 Oversee financial reporting;
- 1.2 Reviewing reports from internal and external auditors to validate scope, evaluating existing policies, establishing audit quality and ensuring compliance with Group’s policies;
- 1.3 Ensuring that proper processes and procedures are in place to comply with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- 1.4 Oversee the implementation of the Whistle Blowing Policy and Procedures for the Group;
- 1.5 Oversee all anti-corruption compliance matters and the implementation of the Anti-Bribery and Corruption Policy for the Group;
- 1.6 Investigating any concerns received on possible improprieties within the Group; and
- 1.7 Evaluating the internal and external audit processes.

2. Composition of AC

- 2.1 The Committee shall be appointed by the Board from among its members and shall consist of not less than three (3) members of whom a majority are independent and the members shall not: -
 - 2.1.1 be Executive Directors of the company or any related corporations;
 - 2.1.2 comprise a spouse, parent, brother, sister, son or adopted son, daughter and adopted daughter of an Executive Director of the Company or any related corporations;
 - 2.1.3 comprise persons having a relationship which in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the functions of the AC; nor
 - 2.1.4 be a former key audit partner unless a cooling-off period of at least two (2) years has been observed.
- 2.2 At least one (1) member of the Committee: -
 - 2.2.1 must be a member of the Malaysian Institute of Accountants;
 - 2.2.2 if he is not member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and:
 - 2.2.2.1 he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - 2.2.2.2 he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

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2.2.2.3 fulfill such other requirements prescribed or approved by the Bursa Securities.

- 2.3** The Committee shall elect a Chairman from among its members who is an Independent Non-Executive Director. All the members should be financially literate. No alternate director should be appointed as a member of the Committee.
- 2.4** All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company and have not been removed from the Committee by the Board.
- 2.5** In the event that a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number is reduced below three (3) or results in the non-compliance of the Listing Requirements of the Bursa Securities pertaining to composition of audit committee, the Board shall, within three (3) months of that event, fill the vacancy.
- 2.6** The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3 Secretary to AC

The Secretary of the Committee shall be appointed by the Chairman of the Committee in consultation with the other members of the Committee. The Secretary shall be responsible for drawing up the agenda in consultation with the Chairman of the AC. The agenda together with relevant explanatory papers and documents shall be circulated to the Committee members prior to each meeting. The Secretary shall be responsible for keeping the minutes of the meeting of the Committee and circulating them to all members of the Committee for approval. Upon the Chairman of the AC (with the consensus of the rest of the Committee) approving the said minutes as a correct record of the meeting, the Secretary shall be responsible to submit a copy of the approved minutes to the Board as soon as practically possible.

4. Meetings

- 4.1** The Committee shall meet at least four (4) times a year. The Chairman of the Committee will highlight any major issues and any items requiring resolution by the Board.
- 4.2** In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, or by the internal or external auditors to consider any matters within the scope and responsibilities of the Committee.
- 4.3** The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman of the Board, Group CEO, Group CFO, the Senior Internal Audit Manager and the External Auditors in order to be kept informed of matters affecting the Group.

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5. Meeting Procedure

The Committee shall regulate its own procedures, in particular:-

5.1 The Committee shall regulate its own procedures, in particular:-

- 5.1.1** the calling of meetings;
- 5.1.2** the notice to be given of such meetings;
- 5.1.3** the voting and proceedings of such meetings;
- 5.1.4** the keeping of minutes; and
- 5.1.5** the custody, production and inspection of such minutes.

6. Quorum

A quorum shall consist of 2 Committee members; however it must be made up of a majority of independent Directors.

7. Attendance by Invitation

The Group CEO and Group CFO, the Senior Internal Audit Manager and the representative of the External Auditors should normally be invited to attend meetings. The Committee may invite any person to be in attendance to assist in its deliberations in any particular meeting. However, the Committee should meet with the External Auditors without Executive Board members and management present at least twice a year.

8. Communication to the Board

- 8.1** The AC shall prepare a report each year concerning its activities in compliance with these terms of reference to be tabled to the Board and for inclusion in the Group's Annual Report.
- 8.2** Upon the conclusion of each meeting, the AC Chairman shall report to the Board of Directors the activities that it had undertaken and the key recommendations for the Board's consideration and decision. Thereafter, the implementation status or progress of key recommendations from previous AC meetings shall also be reported to the Board.
- 8.3** The minutes of each AC meeting shall be tabled to the Board for notation.
- 8.4** The AC may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.

9. Rights of the External Auditors

The External Auditors have the right to appear and be heard at any meeting of the Committee and their representative shall appear before the AC when required to do so by the Committee.

10. Authority of the AC

The Audit Committee shall:-

- 10.1** Have authority to investigate any activity within its terms of reference;
- 10.2** Have the resources which are required to perform its duties;

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- 10.3** Have full and unrestricted access to all information, documents and officers of the Company and the Group for the purpose of discharging its functions and responsibilities;
- 10.4** Have direct communications channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- 10.5** Be able to obtain external legal or other independent professional advice or such external services as it considers necessary at the expense of the Company for such matters within its terms of reference; and
- 10.6** Be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of Executive Directors and employees of the Group, whenever deemed necessary.

11. Duties and Responsibilities

The duties and responsibilities of the Committee shall be:-

- 11.1** To review the quarterly results and annual financial statements of the Company and the Group before submission to the Board, focusing on:-
 - 11.1.1** Any changes in or implementation of accounting policies and practices;
 - 11.1.2** Major judgment areas;
 - 11.1.3** Significant adjustments proposed by the external auditors;
 - 11.1.4** Going concern assumption;
 - 11.1.5** Compliance with accounting standards;
 - 11.1.6** Compliance with stock exchange and legal requirements; and
 - 11.1.7** Significant and unusual events
- 11.2** To review with the external auditors their audit plan, scope and nature of audit for the Company and the Group, their evaluation of the system of internal control, their audit report, their management letter and management's response and the assistance given by the Company's employees to the external auditors;
- 11.3** To assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group;
- 11.4** To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- 11.5** To perform the following, in relation to the internal audit function:
 - 11.5.1** Review 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;
 - 11.5.2** Review the internal audit programme and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function;

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- 11.5.3** Review the internal audit plan, consider the major findings of the internal audits, internal or fraud investigations and actions and steps taken by management in response to audit findings;
 - 11.5.4** Review any appraisal or assessment of the performance of members of the internal audit function;
 - 11.5.5** Approve any appointment or termination of senior staff members of the internal audit function; and
 - 11.5.6** Take cognizance of resignations/transfer of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 11.6** To review any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions on management integrity;
 - 11.7** To consider the appointment of the external auditors and to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment, to consider the nomination of a person or persons as external auditors and the audit fees, the terms of reference of their appointment, and any question of resignation or dismissal;
 - 11.8** To verify the allocation of options granted pursuant to Employee Share Option Scheme (or other similar schemes to reward employees);
 - 11.9** To report to the Board its activities, significant results and findings;
 - 11.10** To promptly report such matter to the Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
 - 11.11** To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation; and
 - 11.12** To undertake any such responsibilities as may be agreed by the Committee and the Board.

12 Review

The terms of reference shall be reviewed by the Committee as and when required. All amendments to the Terms of Reference must be approved by the Board.