



MATANG BERHAD
(Company No.: 1142377-X)
(Incorporated in Malaysia)

**TERMS OF REFERENCE
AUDIT COMMITTEE**

1.0 Objectives

The primary objective of the Audit Committee (or “Committee”) of Matang Berhad (“Matang” or “Company”) is assist the Board of Directors in discharging its fiduciary duties and responsibilities and fulfilling its corporate governance responsibilities in relation to financial reporting, annual reporting, internal control structure, related party transactions and external and internal audit functions of the holding company and each of its subsidiaries.

In addition, the Audit Committee shall:

- 1) To provide assistance to the Board of Directors of the Company (“Board”) in fulfilling its fiduciary responsibilities relating to related party transactions, internal control structure, corporate accounting and reporting practices for the Company;
- 2) To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors;
- 3) To avail to the external and internal auditors a private and confidential audience at any time they desire and to request such audience through the Chairman of the Committee (“Chairman”), with or without the prior knowledge of the management of the Company (“Management”);
- 4) To act upon the Board’s request to investigate and report on any issue of concern with regard to the Management;
- 5) To assist the Board in compliance with any such changes / amendments / updates / insertions of the ACE Market Listing Requirements and any other applicable laws and regulations, arising thereof from time to time; and
- 6) To appoint any relevant consultants or professionals to assist the Committee to discharge its functions.

2.0 Composition

The Audit and Risk Management Committee shall be appointed by the Board from amongst their members and shall consist of not less than three (3) members. All the Committee members must be non-executive directors with a majority of them being independent directors.

The terms of office and performance of each member shall be reviewed at least once every three years by the Board and the member may be re-nominated and appointed by the Board of Directors.

In this respect, the Board adopts the definition of “independent director” as defined under the Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements.

At least one member of the Audit Committee:

- (a) must be a member of the Malaysian Institute of Accountants (MIA); or
- (b) if he is not a member of MIA, he must have at least 3 years’ working experience and,
 - (i) he must have either passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part 2 of the 1st Schedule of the said Act; or
- (c) fulfills such other requirement as prescribed or approved by Bursa Securities.

No alternate director shall be appointed as a member of the Audit and Risk Management Committee.

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director.

If a member of the Audit and Risk Management Committee resigns, pass away or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event, appoint such number of the new members as may be required to fill the vacancy.

3.0 Meetings

The Audit Committee meets at least four (4) times annually and such additional meetings as the Chairman may call at any time at the Chairman’s discretion. In the absence of the Chairman of the Committee, members present shall elect a Chairman for the meeting from amongst the Independent Directors.

The Company Secretary will act as the Secretary of the Audit Committee and shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the Committee prior to each meeting.

The Company Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the members of the Committee and to the other members of the Board of Directors.

Other Directors, employees, and /or representatives of the External Auditors may attend any particular meeting, at the invitation of Audit Committee.

The quorum for a meeting shall be 2 members, and if only two members present both of them must be Independent Directors. If the number of members present for the meeting is more than two, the majority of members present must be Independent Directors.

A Committee member shall be deemed to be present at a meeting of the Committee if he participates by instantaneous telecommunication device and all members of the Committee participating in the meeting of the Committee are able to hear each other and recognize each other's voice, and for this purpose, participation constitutes *prima facie* proof of recognition. For the purposes of recording attendance, the Chairman or Secretary of the Committee shall mark on the attendance sheet that the Committee member was present and participating by instantaneous telecommunication device.

A Committee member may not leave the meeting by disconnecting his instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the meeting and a committee member will be conclusively presumed to have been present and to have formed part of the quorum at all times during the committee meeting by instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the committee meeting to leave the meeting.

Minutes of the proceedings at a Committee meeting by instantaneous telecommunication device will be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as correct minutes by the Chairman of the Committee meeting.

Instantaneous telecommunication device means any telecommunication conferencing device with or without visual capacity.

A resolution in writing signed or approved by a majority of the Committee and who are sufficient to form a quorum shall be as valid and effectual as if it had been passed at a Meeting of the Committee duly called and constituted.

4.0 Authority

The Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

- 1) have explicit authority to investigate any matters of the Company and its subsidiaries, within its terms of reference, where it deems necessary, investigate any matter referred to it or that it has come across in respect of a transaction that raises questions of management integrity, possible conflict of interest, or abuse by a significant or controlling shareholder;
- 2) have resources which are required to perform its duties;
- 3) have full and unrestricted access to any information pertaining to the Company which it requires in the course of performing its duties;

- 4) (a) have direct communication channels with the external auditors;
- (b) have direct authority over the internal audit function of which is independent from management and operations;
- (c) be able to obtain and seek outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (d) 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.

5.0 Functions and Duties

The principal duties and responsibilities of the Audit Committee shall include:

- 1) External Auditor
 - (a) To consider and recommend the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal, and inquire into the staffing and competence of the external auditors in performing their work and assistance given by the Company's officers to the external auditors.
 - (b) Where the external auditors are removed from office or give notice to the Company of their desire to resign as external auditors, the Committee shall ensure that the Company immediately notify Bursa Securities and forward to Bursa Securities a copy of any written representations or written explanations of the resignation made by the external auditors at the same time as copies of such representations or explanations are submitted to the Registrar of Companies pursuant to section 172A of the Companies Act 1965.
 - (c) To discuss with the external auditors before the audit commences the nature, scope and any significant problems that may be foreseen in the audit, ensure adequate test to verify the accounts and procedures of the Company and ensure co-ordination where more than one audit firm is involved.
 - (d) To ensure and confirm that the management has placed no restriction on the scope of the audit.
 - (e) To review and discuss on the evaluation and findings of the system of risk management and internal controls and the audit reports on the financial statements.
 - (f) To discuss problems and reservations arising from the internal audit, interim and final audits, and any matters the external auditor may wish to discuss (in the absence of the management where necessary) and the management's response with regard to the problems and reservations arising from their audits.
 - (g) To review all areas of significant financial risks and the arrangements in place to contain these risks to acceptable levels.

- (h) To provide a line of communication between our Board and external auditor.
- (i) To review the external auditors' management letter and management's responses.

2) Financial Reporting Review

- (a) To review the quarterly announcements to the Bursa Securities and annual financial statements before submission to the Board, focusing particularly on:-
 - any changes in accounting policies and practice;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - any significant transactions which are not a normal part of the Group's business;
 - the going concern assumptions;
 - compliance with the accounting standards;
 - compliance with stock exchange and legal requirements;
 - assess the quality and effectiveness of the internal control system and the efficiency of the Company's operations.
 - the quality and effectiveness of the entire accounting and internal control systems; and
 - the adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group.

3) Internal Audit Function

- (a) To mandate the internal audit function to report directly to Audit Committee.
- (b) To review the adequacy of the competency of the internal audit function including the scope and resources of the internal audit functions and ensuring that it has the necessary authority to carry out its work;
- (c) To review internal audit program;
- (d) To ensure co-ordination of external audit with internal audit;
- (e) To review the internal audit reports and to ensure that appropriate and prompt remedial action is taken by the key management on lapses in controls or procedures that are identified by the internal audit;
- (f) If the internal audit function is outsourced:-

To consider and recommend the appointment or termination of the internal auditors, the fee and inquire into the staffing and competence of the internal auditors in performing their work.
- (g) If the internal audit function is performed in-house, to
 - (i) To review any appraisal or assessment of the performance of the staff of the internal audit function;

- (ii) To approve any appointment or termination of senior staff member of the internal audit function; and
- (iii) To inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason of resignation.

4) Risk Management

- (a) to determine, review and recommend risk management strategies, policies and risk tolerance;
- (b) to review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- (c) to ensure adequate infrastructure, resources and systems are in place for risk management i.e., ensure that the staff responsible for implementing risk management systems perform those duties independently of our Company's risk originating activities;
- (d) to review periodic reports on risk exposure, risk portfolio composition and risk management activities of the Company;
- (e) to review and recommend new policies or changes to policies, and to consider their risk implications;
- (f) to review the impact of risk on capital adequacy and profitability under normal and stress scenarios;
- (g) to review and evaluate the various processes and systems engaged by our Company and to ensure that they are conducted within the standards and policies as set by our Board; and
- (h) to assess the adequacy of the business recovery / disaster recovery procedures.

5) Other matters

- (a) to review any related party transactions and conflict of interest situation that may arise within the Company or within any of the subsidiaries of the Company including transactions, procedures or courses of conduct that may raise questions on the key management's integrity and to ensure that Directors report such transactions or procedures annually to shareholders via the annual report;
- (b) in respect of the recurrent related party transactions of a revenue or trading nature which are subject of a shareholders' mandate, prescribe guidelines and review procedures to ascertain that such transactions are in compliance with the terms of the shareholders' mandate;
- (c) to review our Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions made in the Act); and

- (e) To report to Bursa Securities on matters reported by it to the Board that have not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements; and
- (f) To consider other topics, as may be defined and directed by the Board from time to time.