

**MTAG GROUP BERHAD**  
**(“MTAG” or “Company”)**

**AUDIT COMMITTEE**  
**TERMS OF**  
**REFERENCE**

**I. PURPOSE**

The Board of Directors of the Company (“Board”) has established a committee of the Board known as the Audit Committee (“AC” or “Committee”) to assist the Board in discharging its roles and responsibilities as set out below in its Terms of Reference, which is a requirement under the MCGG and Paragraphs 15.11 and 15.12 of the Ace Market Listing Requirement (“AMLR”).

The Terms of Reference will not only help the Committee members to focus on their roles and responsibilities but the disclosure of such will also enable shareholders to be apprised of the roles and responsibilities of the Committee

**II. ROLES AND RESPONSIBILITIES**

The roles and responsibilities of the Audit Committee shall be: -

- (i) To consider the appointment of the External Auditors, any questions of resignation or dismissal. To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and the assistance given by the Company’s officers to the auditors and ensure coordination where more than one audit firm is involved;
- (ii) To assess the performance, suitability, objectivity and independence of External Auditors and to recommend to the Board for their re-appointments;
- (iii) To observe a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as a member of Audit Committee.
- (iv) To discuss on the Audit Plan and on the problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss in the absence of management;
- (v) To review the External Auditors’ management letter and management responses;
- (vi) To review the quarterly results and financial statements before submission to the Board, focusing particulars on:
  - any changes in accounting policies and practice;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - any significant transactions which are outside the ordinary and usual course of the Group’s business;
  - the going concern assumptions;

- compliance with the accounting standards;
  - compliance with stock exchange and legal requirements;
  - assessment of the quality and effectiveness of the internal control system and the efficiency of the Company operations;
  - the quality and effectiveness of the entire accounting, management information 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.
- (vii) To assist the Board to review the Statement of Risk Management and Internal Control;
- (viii) To review any related party transactions entered into by the Company and its Subsidiaries (collectively, "MTAG Group") and any conflict of interest situations that may arise within MTAG Group;
- (ix) To do the following, in relation to the Internal audit and risk management's functions:
- establish an internal audit function which is independent of the activities it audits and to ensure its internal audit function reports directly to the Audit Committee.
  - review the adequacy of the scope, competency and resources of the internal audit functions and with the necessary authority to carry out the work.
  - review the internal audit programmes and results of the internal audit processes, and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit and risk management functions;
  - review any appraisal or assessment of the performance of members of the internal audit functions;
  - ensure that the internal audit and risk management functions are reported directly to the Audit Committee;
  - discuss any matters and reservations arising from the internal audits, that the internal auditor may wish to discuss with or without prior knowledge of Management.
- (x) To consider any related party transaction that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (xi) To establish an internal audit function which is independent of the activities it audits and to ensure its internal audit function reports directly to the Audit Committee;
- (xii) To review and consider major findings of internal audit investigations and management's responses, areas requiring improvements for internal control procedures and workflow processes deficiencies and including follow-up actions and ensure that appropriate actions are taken on the recommendations of the internal audit functions;
- (xiii) To review on the scope and results of internal audit addressing internal controls over operations, financial, compliance and information technology processes relating to the Group based on the approved Internal Audit Plan;
- (xiv) To discuss and review the overall adequacy and effectiveness of the system of internal controls and to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks.

- (xv) To ensure the Management has adequate procedures and appropriate resources needed for effective operations as required under the Malaysian Anti-Corruption Commission Act (“MACC Act”) 2009 and to maintain up to date or with relevant changes to be made as and when needed for the procedures.
- (xvi) To discuss any matters and reservations arising from the internal audits, that the internal auditor may wish to discuss with or without prior knowledge of Management.
- (v) To review and receive Reporting of Internal Auditor in regards to Enterprise Risk Management matters of MTAG Group.

### **III. MEMBERS AND CHAIRMAN**

1. The Committee shall consist of at least three (3) members, all of whom shall be appointed by the Board amongst its Directors. The Committee shall comprise exclusively Non-Executive Directors, with a majority being Independent Non-Executive Directors.
2.
  - a) The Committee shall have at least one (1) member of the Malaysian Institute of Accountants (“MIA”); or
  - b) If the member of the Committee is not a member of the MIA, he must have at least three (3) years’ working experience and:
    - i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - ii) 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) fulfil such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
3. A former key audit engagement partner of the external auditors of the Company must first observe a cooling-off period of at least two (2) years before he/she being appointed as a member of the AC (as defined in Note 5 to Practice 8.2 of the MCCG).
4. The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director and shall not be the Chairman of the Board. In the absence of the Chairman and/or a deputy appointed by the Board in any meeting, the remaining members present shall elect one (1) of themselves to chair the meeting.
5. All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Committee cease to be a Director of the Company, his membership in the Committee will cease forthwith.

6. No Alternate Director of the Board shall be appointed as a member of the Committee.
7. The terms of office and performance of the Committee and each of its members shall be reviewed by the Nominating and Remuneration Committee annually.
8. All members of the AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

#### **IV. MEETINGS**

1. The AC shall meet regularly and hold at least four (4) meetings in a year. In addition, the Chairman of the Committee may call for additional meetings at any time at his/her discretion.
2. To form a quorum in respect of a meeting, the majority of the Committee's members present must be Independent Non-Executive Directors.
3. The Chairman of the Audit Committee shall chair the Committee's meetings. If he is not present at any meeting within fifteen (15) minutes of the time appointed for holding the same, the members of the Audit Committee present shall choose one of their number who shall be an Independent Non-Executive Director to be the chairman of the meeting.
4. Other Directors and employees may attend any particular meetings upon the invitation of the Audit Committee. The Audit Committee shall convene meetings with the External Auditors ("EA") or the Internal Auditors ("IA") or both, without the attendance of executive Board members or employees, whenever deemed necessary and such meeting shall be held at least once a year with the EA.
5. The minutes of the Audit Committee 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.
6. A resolution in writing, signed by all members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.

#### **V. REPORTING**

The Committee, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

## **VI. SECRETARY**

The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting and shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

The minutes of the Committee, when approved by the Committee and signed by the Chairman of the Committee, should be circulated to the Board.

## **VII. REVIEW**

The Terms of Reference of the Committee shall be reviewed as and when necessary, at least once every year and to be recommended to the Board for approval

The Terms of Reference of the Committee has been approved by the Board on 24 October 2018.

Updated: 25 August 2020