



**MTD ACPI ENGINEERING BERHAD
AUDIT COMMITTEE
TERMS OF REFERENCE**

1. CONSTITUTION

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (AC) with the following terms of reference.

2. COMPOSITION

2.1 Composition

The AC shall be appointed by the Board of Directors of the Company (“Board”) from among the Board members and shall comprise not fewer than three (3) members, all of whom shall be non-executive directors. The majority of the AC shall be independent directors.

At least one (1) member of the AC:-

- a. must be a member of the Malaysian Institute of Accountants (“MIA”); or
- b. if he is not a member of the MIA, he must have at least three (3) years of 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
- c. fulfils such other requirements* as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

* (a) a degree/masters/doctorate in accounting or finance and at least three (3) years’ post qualification’ experience in accounting or finance; or
(b) at least seven (7) years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The members of the AC shall elect a Chairman from amongst themselves who is an Independent Director. No alternate Director of the Board shall be appointed as a member of the AC.

The Chairman of AC is responsible for ensuring that AC meetings run efficiently and each agenda item is thoroughly and thoughtfully discussed by all members of the AC. The responsibilities of the AC Chairman, are as follows:-

- a) Planning and conducting meetings;
- b) Overseeing reporting to the Board;
- c) Encouraging open discussion during meetings; and
- d) Develop and maintain active on-going dialogue with management and both internal and external auditors.

The Chairman of the AC shall assess the performance of individual committee members on annual basis.

In the event of any vacancy in the AC resulting in non-compliance of Bursa Securities Main Market Listing Requirements (“Listing Requirements”), the Board shall ensure that the vacancy is filled within three (3) months.

The Board shall review the term of office and performance of an AC and each of its members at least once every three (3) years.

3. TERMS OF REFERENCE

3.1 Meetings

The AC shall meet at least four (4) times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman’s discretion. The AC may also invite any officer or employee of the Group to be in attendance to assist in its deliberations. The AC shall meet with the external auditors without any executive board member and management present at least twice a year and whenever deemed necessary.

3.2 Quorum

The meetings shall have a quorum of two (2) members who are independent directors.

3.3 Secretary

The Secretary of the AC shall be the Company Secretary.

The Secretary shall be responsible for drawing up the notice and agenda of meetings in consultation with the Chairman and circulating it, supported by explanatory documentation to members of the AC prior to each meeting.

The Secretary shall also prepare the written minutes of the AC meetings and distribute to each member for confirmation. The minutes of AC meetings shall be kept under the custody of the Secretary.

3.4 Authority

The AC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- a. be authorised to investigate any activity within its terms of reference;
- b. have direct communication channels with both the external auditors and internal auditors as well as employees of the Group;
- c. have full and unrestricted access to any information pertaining to the Company or the Group;
- d. obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it deems necessary;
- e. be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and management, if necessary; and
- f. be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurs.

3.5 Duties and Responsibilities

a. Risk Management & Internal Control

- to review the adequacy and effectiveness of the risk management, Group's internal control system and management information system;
- to review the extent of compliance with established internal policies, standards, plans, procedures, laws and regulations;
- to recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and as recommended by the AC itself;

b. Financial Reporting Review

To review the quarterly and annual financial statements prior to the approval by the Board, focusing particularly on:-

- any changes in or implementation of new accounting policies and practices;
- significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- compliance with the applicable approved accounting standards, other statutory and legal requirements;
- the going concern assumption;
- whether finance function is carried out by the right personnel, and its functions are equipped with adequate resources and the right infrastructure to support the financial reporting process;

c. External Audit

- to review with the external auditors the nature and scope of the audit plan;
- to assess the performance and effectiveness of the external auditors and make recommendations to the Board on their appointment and removal;
- to review and monitor the suitability and independence of the external auditors and their services, including non-audit services;
- to carry out an annual review of the performance of the external auditors, including assessment of their independence in the performance of their obligations as external auditors;
- to review external auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken;
- to review with the external auditors the Statement on Risk Management and Internal Control of the Group for inclusion in the annual report;

d. Internal Audit

- to review with the internal auditors the nature and scope of the audit plan;
- to review the competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- to review and evaluate factors related to the independence of internal auditors and assist them in preserving their independence;
- to review internal audit programmes and findings arising from audits;

- to review the performance of the internal audit function and report to the Board when necessary;
- to carry out a formal evaluation to review any appraisal or assessment of the performance of members of the internal audit function;
- to approve annual audit plan and Internal Audit Charter;

e. Audit Reports

To review the internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by management on significant lapses in controls and procedures that are identified;

f. Related Party Transactions

To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

g. Other Matters

- to prepare the annual AC report to the Board which includes the composition of the AC, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and a summary of the activities of internal audit function for inclusion in the annual report; and
- to carry out any other function that may be assigned by the Board when deemed necessary and appropriate.

4. POLICY ON APPOINTMENT OF FORMER KEY AUDIT PARTNER AS MEMBER OF AUDIT COMMITTEE

It is the Group's policy that require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC, if any.

5. TERMS OF REFERENCE AND POLICY REVIEW

The Terms of Reference and Policy will be reviewed annually or as and when required by the Audit Committee and recommendation be made to the Board for approval on any revision.

ENDORSED FOR AND ON BEHALF OF THE BOARD,

**DATO' IR KALID BIN ALIAS
CHAIRMAN
MTD ACPI ENGINEERING BERHAD**

Date :