

PEKAT GROUP BERHAD
REGISTRATION NO. 201901011563 (1320891-U)
(Incorporated in Malaysia)
(“PEKAT” or “the Company” or “the Group”)

TERMS OF REFERENCE
AUDIT COMMITTEE

1.0 PURPOSE

The Board of Directors of the Company (“Board”) has established a committee of the Board known as the Audit Committee (“AC” or “the 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 Malaysian Code on Corporate Governance 2020 (“MCCG”) and Rules 15.11 and 15.12 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements (“Listing Requirements”).

The Terms of Reference will not only help the AC 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 AC.

2.0 ROLES AND RESPONSIBILITIES

The main function of the AC is to assist the Board in fulfilling its responsibility to oversee the Group’s accounting and financial reporting matters. The AC’s fiduciary duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (i) To review the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;
- (ii) To review and recommend the quarterly and annual financial statements for approval by the Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (iii) To conduct periodic review of the involvements of the Managing Director and Executive Directors in the companies outside of the Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within the Group;
- (iv) To demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements;
- (v) To review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company’s financial position and performance;
- (vi) To do the following, in relation to the internal audit function:

- (a) consider and approve the appointment of internal auditors, internal audit fee and any question of resignation or dismissal;
 - (b) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (c) review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that appropriate action is taken on the recommendations of the internal auditors;
 - (d) consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by the management in response to audit findings;
 - (e) review and decide on the budget allocated to the internal audit function;
 - (f) appraise or assess the performance of members of the internal audit function; and
 - (g) maintain a direct line of communication between the Board with internal audit and monitor the overall performance of the Company's internal audit function.
- (vii) To perform such other functions as may be requested by the Board.

3.0 COMPOSITION

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

In this respect, the Board adopts the definition of "independent director" as defined under the Bursa Securities Listing Requirements.

At least one 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 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.

All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the AC cease to be a Director of the Company, his membership in the AC will cease forthwith.

No alternate director shall be appointed as a member of the AC. Former key audit partner of the Company must observe a cooling-off period of at least two years before being appointed as a member of the AC. The members of the AC shall elect a Chairman from among their members who shall be an Independent Director.

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.

If a member of the AC 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.

4.0 MEETINGS

The AC meets at least five (5) 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 AC, members present shall elect a Chairman for the meeting from amongst the Independent Directors.

Notice calling for a meeting of the AC shall be given to all its members at least five (5) calendar days before the meeting or at shorter notice as the Committee shall determine;

To form a quorum in respect of a meeting, the majority of the AC's members present must be Independent Non-Executive Directors.

Matters at any meeting shall be decided by a majority vote of the members present, each member having one (1) vote. In the event of equality of votes, the Chairman of the AC shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman of the AC will not have the second or casting vote.

The Chairman of the AC shall chair the AC'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 AC present shall choose one of their numbers who shall be an Independent Non-Executive Director to be the Chairman of the meeting.

Other Directors and employees may attend any particular meetings upon the invitation of the AC. The AC shall convene meetings with the external auditors or the Internal Auditors 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 external auditors.

An AC 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 an AC member will be conclusively presumed to have been present and to have formed part of the quorum at all times during the AC meeting by instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the AC meeting to leave the meeting.

Minutes of the proceedings at an AC 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 AC meeting.

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

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

A resolution in writing, signed by all members of the AC, shall be as effectual as if it has been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more AC members.

5.0 REPORTING

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

6.0 AUTHORITY

The Company must ensure that wherever necessary and reasonable for the performance of its duties, the AC shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

- (a) have authority to investigate any matter within this Terms of Reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and the internal auditors;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity, or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

7.0 SECRETARY

The Company Secretary or other persons appointed by the Board (if any) shall be the Secretary of the AC and shall be responsible, with the concurrence of the Chairman of the AC, 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 AC.

8.0 REVIEW OF AC

The terms of office and performance of the AC and each of its members shall be reviewed by the Remuneration and Nominating Committee annually.

Review its own performance and terms of reference at least once a year or as and when required in compliance with the regulations to ensure that the AC is operating at maximum effectiveness and recommend any change it considers necessary and may recommend to the Remuneration and Nominating Committee and thereafter to the Board for approval.

The Terms of Reference of the AC was approved by the Board on 17 September 2020.