

**PROTASCO BERHAD**  
**AUDIT COMMITTEE TERMS OF REFERENCE**

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**1. INTRODUCTION**

- 1.1 The Audit Committee Terms of Reference sets out the requirements of the Board of Directors of Protasco Berhad for the establishment of an Audit Committee, and the delegation of responsibilities to such committee, as at the date hereof.
- 1.2 Unless otherwise stated, in this Terms of Reference, “the Group” refers to Protasco Berhad Group of Companies and “the Board” refers to the Board of Directors.
- 1.3 In view of the mandatory nature of the Main Market Listing Requirements of Bursa Malaysia (or “the Exchange”), the Terms of Reference aims to ensure that the Audit Committee complies with the relevant Listing Requirements.

**2. PURPOSE**

The purpose of the Audit Committee is to assist the Board in fulfilling the following key responsibilities:

- i) Reviewing the internal control system;
- ii) Reviewing the financial reporting;
- iii) Reviewing the external audit process;
- iv) Reviewing the internal audit process; and
- v) Reviewing conflict of interest situation and related party transactions.

**3. COMPOSITION**

- 3.1 The Audit Committee members shall be appointed from the Board of Protasco Berhad, and shall comprise at least three (3) members.
- 3.2 All members of the Audit Committee must be Non-Executive Directors, with a majority of being independent directors of Protasco Berhad.

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- 3.3 There shall be at least one member who is:
- i) a member of the Malaysian Institute of Accountants, or
  - ii) if he is not a member of the Malaysian Institute of Accountants, he shall have at least 3 years' working experience and:
    - a) he shall have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
    - b) he shall 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) fulfils such other requirements as prescribed or approved by the Exchange.
- 3.4 No alternate director shall be appointed as a member of the Audit Committee.
- 3.5 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.
- 3.6 In the event a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the non-compliance of 3.1, 3.2 and 3.3 (i, ii or iii) and 3.5, the Board shall within three (3) months of that event appoint such number of new members as may be necessary to make up the requirements.
- 3.7 A member who was a former key audit partner is required to observe a cooling-off period of at least two years before being appointed to the Audit Committee.

**4. AUTHORITY**

- 4.1 The Audit Committee shall have the following authority as empowered by the Board:
- i) To investigate any activity of the Group within its terms of reference;
  - ii) To acquire the resources which are required to perform its duties;
  - iii) To have full and unrestricted access to the Group's information;
  - iv) To have direct communication channels with the external auditors, the head of internal audit functions and all employees of the Group;
  - v) To obtain independent professional advice; and
  - vi) 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.

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**5. MEETINGS**

5.1 Quorum and Attendance

- 5.1.1 In order to form a quorum in respect of a meeting of an audit committee, the majority of members present must be independent directors.
- 5.1.2 In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.
- 5.1.3 The members of the Group's management, the Head of Internal Audit and representatives of the external auditors may attend the meetings upon invitation of the Audit Committee.
- 5.1.4 Other member of the board and senior management or any other employee may be invited to the meeting by the Audit Committee.

5.2 Frequency

- 5.2.1 The Audit Committee is to meet at least four (4) times per year, or more frequently as circumstances dictate.
- 5.2.2 The Audit Committee shall meet with the external auditor at least twice a year without the presence of executive board members and management.

**6. SECRETARY AND MINUTES**

- 6.1 The Company Secretary or his/her representative shall be the Secretary of the Audit Committee.
- 6.2 The Secretary will call for meetings and notice to be given of such meetings.
- 6.3 The discussions and conclusions of the Audit Committee meetings should be minuted and the minutes register kept by the Secretary.
- 6.4 Reproduction of any part of the minutes can only be through/by the Secretary.
- 6.5 Minutes of each Audit Committee meeting are to be made available to the Board of Directors.

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**7. DUTIES AND RESPONSIBILITIES**

7.1 Reviewing the Internal Control System

- i) Oversee the internal controls framework of its effectiveness and adequacy to safeguard the Company's interest and assets from misappropriation;
- ii) To review the sufficiency and effectiveness of the Group's overall enterprise risk management framework, strategies, policies and systems to identify, assess and manage risks; and
- iii) Make all necessary enquiries of management and external auditors concerning established standards of corporate conduct and performance, and deviations therefrom.

7.2 Reviewing the Financial Reporting

- i) To review the Group's quarterly financial result and year-end financial statements prior to approval by the Board, focusing particularly on:
  - a) changes in or implementation of major accounting policy changes;
  - b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
  - c) the going concern assumption; and
  - d) compliance with accounting standards and other legal requirements;
- ii) Review with management and external auditors the audited financial results for the year prior to the presentation to the board for the purpose of approval and adoption;
- iii) To review the Audit Committee Report to be included in the annual report and recommend their approval by the Board.

7.3 Reviewing the External Audit Process

- i) The audit plan and the scope of audit;
- ii) The evaluation on internal control system;
- iii) The coordination of audit with other audit firms where more than one audit firm is involved;
- iv) The audit reports;
- v) Assistance given by the management to the external auditors;

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- vi) Discuss issues arise from the interim and final audit report with external auditor, and any matter the external auditors may wish to discuss in the absence of Management, where necessary;
- vii) To recommend the nomination of a person or persons as external auditors and the audit fees;
- viii) To review any letter of resignation from the external auditors of the Group and whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment; and
- ix) To ensure that proper policies and procedures are established to access the suitability and independence of external auditors.

#### 7.4 Reviewing the Internal Audit Process

- i) The adequacy of the audit scope, programs, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its works;
- ii) Approve the annual audit plan and review the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- iii) Review the effectiveness of the Group's internal audit function including compliance with the Institute of Internal Auditors' Professional Practice of Internal Auditing and make recommendations for improvement of the internal audit function;
- iv) Review any appraisal or assessment of the performance of the Group's internal audit function;
- v) Approve any appointment or removal of the head of department of the Group's internal audit function;
- vi) Appraise the performance and approve the remuneration (including annual increment and bonus) of the head of department of the Group's internal audit function; and
- vii) Take cognizance of resignations of the head of department of the Group's internal audit function and provide the resigning individual an opportunity to submit his/her reasons for resigning.

#### 7.5 Reviewing the Related Party Transactions and Conflict of Interest

To review any related party transactions and conflict of interest that may arise within the Group including any transactions, procedures or course of conduct that raises questions of management integrity.

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7.6 Other Matters

- i) Where an Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee must promptly report such matter to the Exchange.
- ii) To perform or review such other matters as the Audit Committee considers necessary and as the Board of Directors may direct.

**8. REVIEW OF THE AUDIT COMMITTEE**

The Nominating Committee must review the term of office and performance of the Audit Committee and each of its members annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.