



# **PROLEXUS BERHAD**

[Registration No. 199201019353 (250857-T)]

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

## **OBJECTIVES**

The primary objective of the Audit Committee (“AC” or “Committee”) is to assist the Board of Directors in fulfilling its responsibility relating to the accounting and reporting practices of the Company and its subsidiaries companies.

In addition, the AC shall: -

- i. Oversee and appraise the quality of the audit conducted both by the Company’s internal and external auditors;
- ii. Maintain, through regular scheduled meetings, a direct line of communication between the Board of Directors, internal and external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- iii. Keep under review the risk assessment and management framework of the Group; and
- iv. Determine the adequacy of the Group’s administrative, operating and accounting controls.

## **SIZE AND COMPOSITION**

The Committee shall be appointed by the Board of Directors from amongst its members and shall consist of not less than three (3) members, all of whom shall be Non-Executive Directors and financially literate. The majority of the Committee members shall be Independent Directors.

All members of the Committee should be financially literate and at least one (1) member of the Committee shall be: -

- A member of the Malaysian Institute of Accountants (“MIA”); or
- If he or she is not a member of MIA, he must have at least three (3) years of working experience and: -
  - he or she must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - he or she must be a member of one of the associations of accountants specified in Part II of the said Schedule; or
- Fulfils such other requirements as prescribed or approved by the Exchange.

No former audit partner shall be appointed as a member of the committee before observing a cooling off period of at least three (3) years before appointed as a member of the Committee.

If a member of the Committee resigns 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 new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director.

The Board shall review the terms of office of each of its members annually.

## **MEETINGS**

The AC shall hold at least four (4) quarterly meetings per year and such additional meetings as its Chairman shall decide in order to fulfill its duties. The quorum for a meeting shall be two (2) members all of whom shall be independent directors.

The Chairman of the AC shall engage on a continuous basis with the Executive Directors, senior management and the external auditors in order to be kept informed of matters affecting the Company or the Group. The Internal Auditors shall report directly to the AC.

In the absence of the Chairman of the AC, members present shall elect a Chairman for the meeting from amongst the independent directors present.

Meeting of the AC may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

The non-member directors, the Chief Financial Officer, other senior management of the Group, the internal auditors and representatives of the external auditors may attend the meeting on invitation by the AC.

The AC shall meet the external auditors without the presence of the management at least once (1) a year or as and when necessary and such other meetings as determined by the Companies and/or as requested by the external auditors.

The Company Secretary or the representatives of the Secretary shall act as the secretary of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the AC members prior to each meeting, no later than seven (7) days before the date of the meeting unless otherwise agreed.

The minutes of each meeting shall be kept and distributed to all members of the AC.

## **CIRCULAR RESOLUTION**

A resolution in writing, signed or approved by letter, telegram, telex, telefax or electronic means by a majority of the AC members present in Malaysia for the time being entitled to receive notice of a meeting of the AC, shall be as valid and effectual as if it had 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 of the AC members.

## **RESPONSIBILITIES AND DUTIES**

The primary duties and responsibilities of the AC are to: -

- 1) Consider the appointment of the external auditors, the audit fees and any questions of resignation or dismissal, and inquire into the staffing and competence of the external auditors in performing their work.
- 2) Review with the external auditors the scope of their audit plan, their evaluation of the system on internal control and the audit report on the financial statements (in absence of the management if necessary).

- 3) Review the assistance given by the employees of the Company and the Group to the external auditors.
- 4) Discuss the impact and review of any proposed changes in or implementing of major accounting policy changes, principles and practice, significant adjustments resulting from the audit, significant and unusual events, the going concern assumption, compliance with accounting standards and compliance with the stock exchange and statutory and legal requirements.
- 5) Review any financial information for publication, including quarterly and annual financial statements prior to submission to the Board for approval.
- 6) Review the adequacy and relevance of the scope, functions, competency and resources of internal audit, necessary authority to carry out internal audit work and extent of co-operation and assistance given by the employees to internal audit.
- 7) Review the internal audit plan and work programme, consider major findings of internal audit investigation and management response and ensure co-ordination between internal and external auditors.
- 8) Ascertain the adequacy of the Group's risk assessment and management framework in identifying and considering principal business risks and ensure the implementation of appropriate systems to manage these risks.
- 9) Keep under review the effectiveness of internal control systems and in particular to review and monitor the implementation of recommendation of the external auditors' management letter and management's response.
- 10) Consider and review any related party transaction that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 11) Identify and direct any special projects or investigation deemed necessary.
- 12) Report any breaches of listing requirements, which have not been satisfactorily resolved to the Bursa Malaysia Securities Berhad.
- 13) To review and verify the allotment of options to employees under Employees Share Option Scheme.

## **AUTHORITY**

The AC is authorized by the Board to investigate any activity within its Terms of Reference. It shall be provided with the resources to perform its duties in full and unrestricted access to information pertaining to the Company and the Group.

The Committee shall also have direct communication channels with both the internal and external auditors and senior management of the Company and the Group including convening meetings with the external auditors, the internal auditors or both, in the absence of other directors and employees of the Company, whenever deemed necessary.

The AC shall also have the access to consult independent experts where they consider it necessary to carry out their duties.

## **REVISION AND UPDATES**

Where necessary, this Terms of Reference will be reviewed and updated to ensure it remains consistent with the AC's objectives and responsibilities.