

## **MENTIGA CORPORATION BERHAD**

(Company No: 10289-k)

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

#### **1.0 PURPOSE**

1.1 The Audit Committee (“AC”) is established as a committee of the Mentiga Corporation Berhad (“MCB” or “the Company”) Board of Directors (“the Board”) with the following primary objectives:

- 1.1.1 to ensure the financial statements comply with applicable financial reporting standards;
- 1.1.2 to establish policies and procedures to assess the suitability and independence of external auditors;
- 1.1.3 to establish policies and procedures governing circumstances for contracts of non-audit services to be entered into with external auditors;
- 1.1.4 to review and assess the key business risks of the Company and the risk management framework of the Group;
- 1.1.5 to review and implement the internal control systems of the Group; and
- 1.1.6 to review and assess the competency of the internal audit function of the Group.

#### **2.0 MEMBERSHIP**

2.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-

- (a) The Committee shall comprise no fewer than three (3) members;
- (b) All the Committee must be non-executive directors, with a majority of them being independent directors; and
- (c) At least one member of the Committee:
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
    - (a) he must have passed the examinations specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - (b) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or

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- (iii) (a) a degree/ masters/ doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
  - (b) at least 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; or
  - (iv) Fulfills such other requirements as prescribed or approved by the Exchange.
- 2.2 All members of the AC should be financially literate and have the ability:
- to read and understand financial statements, including a company's statement of financial position, statement of comprehensive income, and cash flow statement;
  - to analyse financial statements and ask pertinent questions about the company's operations against internal controls and risk factors; and
  - to understand and interpret the application of approved accounting standards and other related requirements.
- 2.3 The Chairman of the AC shall be an Independent Non-Executive Director appointed by the Board, who is not the Chairman of the Board, and acts as the key contact between the committee members and Board members as well as Senior Management and the auditors. The responsibilities of the AC Chairman, among others, are as follows:
- Planning and conducting meetings;
  - Overseeing the reporting to the Board;
  - Encouraging open discussion during meetings; and
  - Developing and maintaining active on-going dialogue with Management and external auditors.
- 2.4 No alternate director shall be appointed as a member of the Committee.
- 2.5 No former key audit partner shall be appointed as a member of the AC before observing a cooling-off period of at least two (2) years.
- 2.6 In the event of any vacancy in the Committee resulting in the non-compliance of the listing requirement of the Exchange pertaining to composition of audit committee, the Board of Directors must within three (3) months of that event fill the vacancy.
- 2.7 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors through the Nominating Committee ("NC") of the Company annually to determine whether the Committee and its members have carried out their duties in

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accordance with their terms of reference. The NC shall seek the views of the Chairman of the AC in its assessment of the performance of members of the AC, other than of the Chairman himself/herself. All such assessments shall be properly documented.

- 2.8 The AC members shall undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

### **3.0 MEETINGS**

#### **3.1 Frequency**

- 3.1.1 Meetings shall be held not less than four (4) times a year and at such other times as the Chairman of the Committee considers necessary or appropriate.
- 3.1.2 Upon the request of the external auditors, the Chairman of the Committee must convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.
- 3.1.3 Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Committee.

#### **3.2 Quorum**

- 3.2.1 A quorum shall be two (2) members, of whom the majority present shall be independent directors.

#### **3.3 Secretary**

- 3.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

#### **3.4 Attendance**

- 3.4.1 The Finance Director, the Head of Internal Audit (where such a function exists) and a representative of the external auditors shall normally attend meetings.
- 3.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
- 3.4.3 At least twice a year, the Committee shall meet with the external auditors without any executive Board members present.

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**3.5 Reporting Procedure**

- 3.5.1 The minutes of each meeting shall be circulated to all members of the Board.
- 3.5.2 The Committee, through its Chairman, shall report to the Board at the next Board meeting after each Committee meeting.
- 3.5.3 The Committee shall compile a report to shareholders on its own activities to be included in the Company's Annual Report.

**3.6 Meeting Procedure**

The Committee shall regulate its own procedure, in particular:-

- (a) the calling of meetings;
- (b) the notice to be given of such meetings:
  - i) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than seven (7) calendar days before the date of the meeting; and
  - ii) Reasonable time should be given for the Committee members and to other attendees as appropriate, to consider all relevant papers and materials prior to the Committee meeting.
- (c) the voting and proceedings of such meetings:
  - i. For the avoidance of conflict of interest, a member of the Committee shall abstain from participating in discussions and decisions on any matters involving him/her; and
  - ii. Matters arising 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 Committee 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 Committee will not have the second or casting vote.
- (d) the keeping of minutes - the Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The minutes of the Committee, when approved by the Committee, should be circulated to the Board; and

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- (e) the custody, production and inspection of such minutes.

**4.0 RIGHTS**

The Committee in performing its duties must in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its 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 person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice, at the expense of the Company, in carrying out their duties; and
- (f) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

**5.0 FUNCTIONS**

The Committee must, amongst others, discharge the following functions:

5.1 To review the following and report the same to the Board of Directors:

- (a) the quarterly results and year end financial statements, – before the approval by the Board of Directors, focusing particularly on:-
  - (i) the going concern assumption;
  - (ii) changes in or implementation of major accounting policy changes;
  - (iii) significant and unusual events; and
  - (iv) compliance with accounting standards and other legal requirements.
- (b) any related party transaction and conflict of interests situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions or management integrity.

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- (c) with the external auditors:
    - (i) the audit plan;
    - (ii) their evaluation of the system of internal controls;
    - (iii) their audit report;
    - (iv) their management letter and management's response; and
    - (v) the assistance given by the Company's employees to the external auditors.
  - (d) to review and provide advise on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance.
- 5.2 To review the risk management framework of the Company and to monitor the management's risk management practices and procedures.
- 5.3 In respect of the appointment of external auditors:
- (a) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
  - (b) to consider the nomination of a person or persons as external auditors and the audit fee;
  - (c) to review any letter of resignation from external auditors or dismissal of external auditors;
  - (d) to review contracts for non-audit services.
- 5.4 To assess and monitor the performance, suitability, objectivity and independence of the external auditor annually. The assessment is to be based on established policies and procedures that consider among others:
- i. the competence, audit quality and resource capacity of the external auditor in relation to the audit;
  - ii. the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and
  - iii. obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

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- 5.5 In respect of the internal audit function:
- (a) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - (b) to review the internal audit plan, processes, the results of the internal audit assessments, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (c) to review any appraisal or assessment of the performance of members of the internal audit function;
  - (d) to approve any appointment or termination of senior staff members of the internal audit function;
  - (e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - (f) the internal audit function must be independent of the activities it audits; the internal audit activity should be free from interference in determining the scope of internal audit, performing work, and communicating results; and
  - (g) the internal audit function reports directly to the Audit Committee.
- 5.6 To conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal control procedures within the Company.
- 5.7 To verify, at the end of each financial year, where applicable the allocation of options under a share scheme for employees to ensure compliance with the allocation criteria determined by the ESOS Committee and in accordance with the Bye-Laws of the relevant Option Scheme. A statement by the Committee verifying such allocation shall be included in the annual report.
- 5.8 To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.
- 5.9 To ensure that proper processes and procedures are in place to comply with all laws, regulations and rules established by all relevant regulatory bodies and which could have a significant impact on the Group's financial statements.

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5.10 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

**6.0 REVIEW OF THE TERMS OF REFERENCE (“TOR”)**

6.1 The AC shall recommend any changes to its TOR in such manner as the AC deems appropriate to the Board for approval. The TOR shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the AC's role.