

## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **1.0 Primary Purpose**

1.1 The Audit Committee (“AC”) is established as a committee of the Board of Directors (“Board”) of Zelan Berhad (“Company”). The primary objectives of the AC are as follows:-

- (a) to assist the Board in fulfilling its statutory and fiduciary responsibilities in examining and monitoring the Company and its subsidiaries’ (“Group”) management of business, financial risk processes, accounting and financial reporting practices;
- (b) to determine the adequacy and effectiveness of the administrative, operational and internal accounting controls of the Group and to ensure that the Group is operating in accordance with the prescribed procedures, codes of conduct and applicable legal and regulatory requirements;
- (c) serve as an independent and objective party from Management in the review of the financial information of the Group presented by Management for the distribution to shareholders and the general public;
- (d) provide direction and oversight over the Internal and External Auditors of the Company to ensure their independence from Management; and
- (e) to evaluate the quality of audits conducted by the Internal and External Auditors on the Group.

#### **2.0 Membership**

2.1 The AC shall compose of not less than three (3) members, and comprise solely of Independent Directors. An Alternate Director must not be appointed as a member of the AC.

2.2 At least one (1) member of the AC must be a member of the Malaysian Institute of Accountants or if he is not, then he must comply with Paragraph 15.09(1) (c) (ii) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

2.3 The Chairman of the AC shall be an Independent Non-Executive Director elected by the

AC from amongst its members, and is not the Chairman of the Board.

- 2.4 In the event of any vacancy in the AC, the Board shall, within three (3) months of that event, appoint such number of new members to ensure compliance with Listing Requirements.
- 2.5 Any former audit key partner whom has served the Group would have to observe a cooling-off period of two (2) years prior to being appointed as a member of the AC.
- 2.6 The AC shall have no executive powers.

### **3.0 Meetings and minutes**

- 3.1 Meetings shall be held not less than four (4) times a year, and additional meetings shall be scheduled as and when considered necessary. The AC may establish any procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 3.2 Unless otherwise agreed by the AC members, notice of each meeting confirming the venue, time and date together with an agenda of items to be deliberated and AC papers, shall be forwarded to each members of the AC at least five (5) days prior to the date of the meeting.
- 3.3 The AC may request other Directors, Senior Management, Internal Auditors and External Auditors, as applicable, to participate in the AC meeting, as necessary to carry out the AC's responsibilities. Either the Internal or the External Auditors may, at any time, request a meeting with the AC with or without Management's attendance.
- 3.3 Minutes of each meeting shall be kept and distributed to each member of the AC and of the Board. The Chairman of the AC shall report on each meeting to the Board.
- 3.4 A resolution in writing signed by a majority of members shall be valid and effectual as if it had been passed at a meeting of the AC. Resolution may consist of several documents in like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications.

- 3.5 At least twice (2) a year the AC shall meet with the External Auditor without Management being present.

#### **4.0 Quorum**

- 4.1 The quorum shall be two (2) members present, with the majority of members present must be an Independent Non-Executive Directors.

#### **5.0 Secretary**

- 5.1 The Company Secretary shall be the Secretary of the AC.

#### **6.0 Authority**

- 6.1 The AC wherever necessary and reasonable for the performance of its duties, shall have the following authority as empowered by the Board:

- (a) to have authority to investigate any matters within its Terms of Reference;
- (b) to have the resources which are required to perform its duties and responsibilities as set out in the Terms of Reference;
- (c) to have full and unrestricted access to any information, records, properties and personnel of the Group;
- (d) to have direct communication channels with the Internal and External Auditors and person(s) carrying out the Internal Audit function or activity;
- (e) to be able to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary; and
- (f) to be able to convene meetings with the External Auditors, without the attendance of Management, whenever deemed necessary.

#### **7.0 Duties and Responsibilities**

- 7.1 The AC shall undertake the following responsibilities:
- (a) Consider the appointment and re-appointment of the External Auditors, the audit fee and any questions of resignation or dismissal, and enquire into the independence, resources and competency of the External Auditors in performing their work;
  - (b) Discuss the nature and scope of the audit and any significant problems that may be foreseen with the External Auditors before the audit commences and ensure that the audit is carry out effectively and efficiently for the Group;

- (c) Discuss the impact of any proposed changes in accounting policies on future financial statements with the Management and External Auditors;
- (d) Review the quarterly interim financial information and year-end financial statements before submission to the Board, focusing particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments and unusual transactions;
  - the going concern assumptions;
  - compliance with accounting standards; and
  - compliance with regulatory requirements.
- (e) Discuss problems and reservations arising from the interim and final audits, and any other matters that the External Auditors may wish to discuss (in the absence of Management where necessary);
- (f) Review the External Auditors' Management letter and Management response and monitor the implementation of any recommendation thereon;
- (g) Review the adequacy of the scope, functions and resources of the Internal Audit function and that it has the necessary authority to carry out its works;
- (h) Review the Internal Audit programme, consider the major findings of Internal Audit investigations and Management's response and ensure effective co-ordination between the Internal and External Auditors;
- (i) Review any appraisal or assessment of the performance of members of the Internal Audit function, to approve any appointment or termination of senior staff members of the Internal Audit function and to take cognisance of resignations of Internal Audit staff members and to provide the resigning staff member an opportunity to submit his reasons for resigning, if applicable;
- (j) Review any related party transactions that may arise within the Group;
- (k) Review procedures established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Group's operations;
- (l) Report promptly to Bursa Malaysia on matters reported by the AC to the Board which have not been satisfactorily resolved, resulting in a breach of the Listing Requirements;
- (m) Review the annual Statement on Internal Control and Risk Management to be published in the Annual Report;

- (n) Disclose details of the activities of AC, the number of AC meetings held in a financial year, details of attendance of each AC members in respect of AC meetings and details of relevant training attended by each AC members;
- (o) Review and approve any non-audit services to be rendered and the appropriateness of the level of fees, if any, provided by the External Auditors to ensure that the nature and extent of such services will not compromise the independence and objectivity of the External Auditors; and
- (p) To carry out such other assignments as prescribed by the Board.

This Terms of Reference of Audit Committee is dated 26 November 2018.