



# **MUAR BAN LEE GROUP BERHAD**

(Company No. 753588-P)

(Incorporated in Malaysia under the Companies Act, 1965)

## **AUDIT COMMITTEE**

### **– TERM OF REFERENCE**

#### **(A) OVERVIEW**

The Board of Directors (‘the Board’) of Muar Ban Lee Group Berhad (‘MBL’ or ‘the Company’) observes the Malaysian Code on Corporate Governance 2012 (‘MCCG 2012’ / ‘the Code’) and ensures that the highest standards of corporate governance are practiced throughout the Company and its subsidiaries (‘the Group’ or ‘MBL Group’) as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group. The Board establish Audit Committee (‘AC’) to assist in carrying out its duties and responsibilities.

The AC shall operate under clearly defined Terms of Reference. The AC is authorised by the Board to deal with and to deliberate on matters delegated to them within their Terms of Reference.

#### **(B) OBJECTIVE**

The primary objectives of the AC are as follow:-

- (a) To assist the Board in discharging its fiduciary responsibilities, particularly in area relating to corporate accounting and financial reporting practice of the Company and the Group.
- (b) To ensure the adequacy and effectiveness of the Group’s internal control system and business ethics policies.
- (c) Provide greater emphasis on the audit function by serving as the focal point for communication between non-Committee Directors, the External Auditors, Internal Auditors and management and providing a forum for discussion that is independent of the management.
- (d) It is to be the Board’s principal agent in assuring the independence of the Company’s External Auditors, the integrity of the management and the adequacy of disclosures to shareholders.
- (e) Undertake such additional duties as may be appropriate and necessary to assist the Board.



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### (C) TERMS OF REFERENCE

#### (a) Membership

The Company must appoint AC's members from amongst its Board which fulfils the following requirements:

- (i) the Committee must be composed of no fewer than 3 members.
- (ii) all members of the AC must be Non-Executive Directors, with a majority of them being Independent Directors.
- (iii) at least one member of the Committee:
  - (iii-i) must be a member of the Malaysian Institute of Accountants;  
or
  - (iii-ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and: (aa) he must have passed the examinations specified in Part 1 of the 1st schedule of the Accountants Act 1967; or (bb) he must be a member of one of the associations specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - (iii-iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia.
- (iv) The members of the AC shall elect a Chairman from among themselves who shall be an Independent Director.
- (v) No alternate director shall be appointed as a member of the AC.
- (vi) In the event of any vacancy in the Committee resulting in the non-compliance to the Main Market Listing Requirements ("MMLRs") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") pertaining to composition of the AC, the Board shall within three months of that event fill the vacancy.



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- (vii) The terms of office and performance of the Committee and each of its members must be reviewed by the Board at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- (b) Meetings and Procedures
  - (i) The AC shall meet at least 4 times in a year, and at such additional meetings as the Chairman shall decide in order to fulfil its duties. The External Auditors may request for a meeting if they consider this necessary.
  - (ii) The quorum for a meeting shall be two (2) members, and if only two members present both of them must be Independent Directors. If the number of members present for the meeting is more than two (2), the majority of members present must be Independent Directors.
  - (iii) The Company Secretary shall be the Secretary of AC and shall be responsible for the coordination of administrative details including sending out notice of meetings, preparing and keeping minutes of meetings. The minutes of the AC's meetings are to be extended to the Board.
  - (iv) A resolution in writing signed or approved by a majority of members of the AC and who are sufficient to form a quorum shall be as valid and effectual as if it had been passed at a meeting of the AC duly called.
  - (v) The Head of Finance, the representatives of Internal Auditors and External Auditors shall normally attend the AC's meetings. Other directors and employees may attend any particular AC's meeting only at the invitation of the AC. The AC shall meet with the External Auditors without the presence of any executive directors and employees of the Company, whenever deemed necessary.



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### (c) Authorities of the AC

The AC is empowered by the Board with the following authorities:

- (i) Have the authority to investigate any matter within its Terms of Reference.
- (ii) Have the resources which are required to perform its duties.
- (iii) Have full and unrestricted access to any information pertaining to the Group.
- (iv) Have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit Function or activity.
- (v) Be able to obtain and seek outside legal and other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- (vi) Be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.
- (vii) Review any significant transactions which falls under any one of the percentage ratios indicated in Paragraph 10.02 (g) of the MMLRs with threshold of 5% or more and which are not within the normal course of business and not with any related party that may arise within the Company or Group.

### (d) Functions of the AC

The AC shall, amongst others, discharge the following functions:

- (i) To review the following and report the same to the Board:
  - (i-i) with the External Auditors, the audit plan and to ensure co-ordination where more than one audit firm is involved;



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- (i-ii) with the External Auditors, his evaluation of the system of internal controls;
- (i-iii) with the External Auditors, their audit report, their management letter and the management's response;
- (i-iv) the assistance given by the Company's employees to the External Auditors;
- (i-v) the adequacy of the scope, functions, competency and resources of the Internal Audit Functions and that it has the necessary authority to carry out its work;
- (i-vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit Function;
- (i-vii) to review any appraisal or assessment of the performance of members of the Internal Audit Function;
- (i-viii) to approve any appointment or termination of senior staff members of the Internal Audit Function;
- (i-ix) to inform itself of any resignation of internal audit staff members and provide the resigning staff member and opportunity to submit his reasons for resigning;
- (i-x) the quarterly results and annual financial statements, prior to the approval by the Board, focusing particularly on:
  - (1) changes in or implementation of major accounting policy changes;
  - (2) significant and unusual events;



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- (3) significant adjustments arising from the audit;
  - (4) the going concern assumption; and
  - (5) compliance with accounting standards and other legal requirements
- (i-xi) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions on management integrity;
- (i-xii) resignation from the External Auditors; and
- (i-xiii) whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for reappointment.
- (ii) To recommend the nomination of a person or persons as External Auditors.
  - (iii) To review all areas of significant financial risks and the arrangement in place to contain these risks to acceptable levels.
  - (iv) To promptly report such matter to the Bursa Malaysia if the Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLRs.
  - (v) To carry out any other functions as may be agreed by the AC and the Board.

#### **(D) INTERNAL AUDIT FUNCTION**

The Company must establish an Internal Audit Function which is independent of the activities it audits and must ensure its Internal Audit Function reports directly to the AC. Alternatively, the Company may outsource the Internal Audit Function to external independent professional accounting firm to perform the



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task in order to assist the AC in discharging its duties and responsibilities. The main role of the internal audit is to review the effectiveness of the Group's system of internal control and this is performed with impartiality, proficiency and due professional care. The activities of the Internal Audit Function are reported regularly to the AC which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls.

### **(E) REVIEW OF THE TERMS OF REFERENCE**

The Board will review this Terms of Reference from time to time and make any necessary amendments to ensure they remain consistent with the Board's objectives, current law and practices. The written Terms of Reference is made available for reference on the Company's website.

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[The Terms of Reference of AC was approved by the Board on 25 November 2016]